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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Tuesday March 29 1983

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What Britain should
do about
sterling, Page 19

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No. 29,036

NEWS SUMMARY

GENERAL

Germans jailed in Herstatt case

Three West German currency dealers were jailed after a four-year trial for fraudulent dealings which contributed to the country's biggest post-war bank collapse.

They were Norbert Arden, who received seven and a half years, Bruno Heinemann, four and a half years, and Bruno Blaser, three years nine months.

Their dealings contributed to the June 1974 collapse of Herstatt, the country's largest private bank, with losses of DM 1.5bn (now \$494m).

Arden and Blaser were private dealers on the Frankfurt money market, and Heinemann worked for Herstatt, Page 3

\$20m evidence in Calvi case

Flavio Carboni, a business associate of the late Roberto Calvi, head of the failed Banco Ambrosiano, withdrew about \$20m from Swiss bank accounts after Calvi was found dead in London, according to Swiss police, it was said in the High Court in London. The case concerns a Calvi family plea to set aside a verdict of suicide by a London coroner.

It emerged from Milan yesterday, however, that Italian forensic scientists confirmed that Signor Calvi died of asphyxiation compatible with hanging, and believed that he probably committed suicide, Page 28

Missile talks

The U.S. has virtually completed intensive consultations with its key NATO allies and is putting the finishing touches to new proposals to limit nuclear weapons in Europe. Secretary of State Alexander Haig is being maintained on the proposals aimed at rejuvenating the stalled Geneva talks. Earlier story, Page 3

Soviet meeting

Soviet leader Yuri Andropov and UN Secretary General Javier Perez de Cuellar yesterday concentrated on "the problem of peaceful settlement in the Middle East and the ways of normalising the situation around Afghanistan" during talks on international problems in the Kremlin yesterday.

Iran-Iraq slick talk

Iran and Iraq have agreed to meet at Ministerial level in Kuwait on Saturday to discuss the dispersal of the huge oil slick which is threatening the shores of all the Gulf States, Page 28

Assam bomb

A bomb exploded in Assam capital Gauhati during the night, causing minor damage, as militant leaders announced a suspension of their anti-immigrant campaign and political leaders made a new appeal for peace, Page 4

SS men for trial

Four former Nazi SS storm troopers in their 70s will go on trial in Bonn in the autumn accused of deporting nearly 1700 Polish Jews to wartime death camps in Poland.

Falklands visit

Britain has agreed in principle for Argentine first-of-its-kind of soldiers killed in the Falklands to visit the islands.

Briefly

Paris Metro's last 1982-style train will be retired next month.

Basque separatists claimed responsibility for an explosion which killed one bomb disposal expert in San Sebastian and wounded another.

New crater erupted on Mount Etna, Sicily.

BUSINESS

British groups in big car parts link

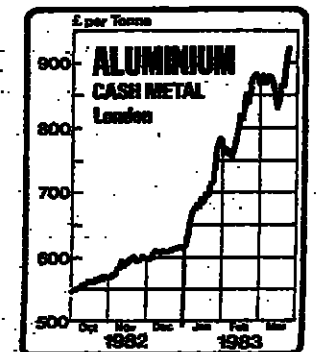
UK CAR PARTS rivals Lucas and Smith Industries are to pool some resources in a new company that they say will have the broadest product range offered by an independent automotive electronics supplier in Europe, Page 29

CHILE began talks with creditors on its request for rescheduling of \$3.5bn of debt and \$1.2bn in new loans this year, Page 6

COMMERZBANK, West Germany's third largest bank, has increased profits despite increased risk provisions, by concentrating on short-term loans, Page 21

HOWALDSWEGE-DEUTSCHE WERFT, West Germany's largest shipyard, plans to cut about a third of its 11,000 jobs, Page 21

ALUMINIUM prices rose in London, following the ingots price rise from \$210 a tonne to \$280 (\$127.85) announced by British Alcon Aluminium. The exchange cash price closed \$21.5 up at \$222.5 a tonne, Page 35



DOLLAR continued to improve, reaching DM 2.4345 (from DM 2.416), FF 2.2975 (FF 2.245), SwFr 2.085 (SwFr 2.065), and ¥240.1 (¥237). Its Bank of England trade-weighted index improved from Friday's 122.1 to 123, Page 38

STERLING fell 65 points to \$1.454, its lowest closing level, but improved to DM 3.5425 (DM 3.53), FF 18.8075 (FF 18.58), SwFr 1.035 (SwFr 1.0175) and ¥346.5 (¥346.5). Its trade weighting finished unchanged at 78.1, Page 38

GOLD fell \$3.5 in London to \$408.5, \$3 in Frankfurt to \$408.75, and \$4 in Zurich to \$408.75. In New York the Comex March settlement was \$412.00 (\$414.00), Page 35

LONDON: FT Industrial Ordinary index fell by 1.4 to 655.5. Government Securities fell by an average of almost 1 per cent. Page 31. FT Share Information Service, Pages 36-37

WALL STREET: Dow Jones index closed at 1133.32, down 6.77, Page 31. Full share listings, Pages 32-34

TOKYO: Nikkei Dow index advanced 68.82 to a record 8,387.91. Stock Exchange index rose 1.53 to 6140.2. Report, Page 31. Leading prices, other foreign markets, Page 24

JAPAN is thought to be about to cut its discount rate by between half and one percentage point from its 5.5 per cent, following yesterday's meeting between Premier Yasuhiro Nakasone and Bank of Japan Governor Haruo Maekawa, Page 4. Finance Ministry is to relax restrictions on issues of foreign bonds, Page 22

VENEZUELA is to allow foreign-owned companies country to repay foreign debts of about \$2bn at the preferential rate of 4.3 bolivars to the dollar instead of the floating rate of about 8, Page 6

CAMPESA, Spain's petroleum products marketing agency, reported gross profit for 1982 24.5 per cent down at \$810m.

BANCO del Gottardo di Legnano has bought Zurich-based finance company Ultrafin from Banco Ambrosiano Holding of Luxembourg.

Thatcher names MacGregor to head coal board

BY RAY DAFTER, IAN RODGER AND KEVIN BROWN IN LONDON

Mr Ian MacGregor, the controversial chairman of the state-owned British Steel Corporation, has been appointed to head Britain's National Coal Board with instructions from Mrs Margaret Thatcher's Conservative Government to return the mining industry to profitability as soon as possible.

The official announcement of Mr MacGregor's appointment to a second key UK public sector post - the subject of hot debate in recent weeks - triggered angry outbursts from both trade unionists and politicians across the spectrum.

The Government has again agreed compensation terms with Lazard Freres, the New York investment bank from which Mr MacGregor joined BSC, for the loss of his services.

Lazard Freres will receive a straight fee of £1.5m (\$2.2m), irrespective of Mr MacGregor's performance at the helm of the NCB. A similar arrangement, covering his three-year management of British Steel, involves payments of up to £1.8m, depending on the state steel concern's performance during that period.

Mr Nigel Lawson, Britain's Energy Secretary, yesterday maintained that the 70-year-old Mr MacGregor, a Scots-born U.S. citizen, was the best man to help the coal industry tackle its problems of over-

production and uncompetitive costs and transform itself into a successful modern industry.

Under the survival plan that Mr MacGregor announced for BSC shortly after arriving nearly three years ago, the corporation was to have reached break even this month. But the combination of the deep world recession in the steel industry, and protectionist measures in the important U.S. market, have steered the corporation disastrously off course, with losses almost as high as when Mr MacGregor arrived, and before a major manpower reduction plan was put into operation.

The announcement of Mr MacGregor's appointment brought a roar of disapproval from Labour MPs in the House of Commons, but also provoked some acid comments from Conservative MPs who said no British manager was considered capable.

There was laughter from MPs on both sides of the House at Mr Lawson's repeated claim that Mr

MacGregor is a Scotsman "and proud of it." Many Tories appear to agree with Mr John Smith, the Labour energy spokesman, who said: "He may be a Scot by birth, but he is an American by choice."

Defending the £1.5m "transfer fee," Mr Lawson pointed out that the Coal Board was losing that amount of money each day. The Board has made a loss of about \$48m in the current financial year which ends on Thursday. This compares with a deficit of £428.3m in 1981-82. Mr MacGregor is to be paid £59,325 a year, the same as the present chairman, Mr Norman Siddall.

The most bitter criticism of the appointment came from Mr Arthur Scargill, president of the National Union of Mineworkers. "We have constantly warned that this man's mission is to savagely butcher the British coal industry the way he has butchered British Steel. The

Continued on Page 20
Leader, Page 18

Five groups agree on format for 8mm video

BY CHARLES SMITH, FAR EAST EDITOR, IN TOKYO

FOUR JAPANESE electronics manufacturers and Philips of the Netherlands reached broad agreement yesterday on a common format for 8mm video equipment. The accord, however, left open the question of the picture signal processing system to be used by the new format. This will be the subject of further discussions.

The four Japanese companies involved in the talks in Tokyo were Matsushita Electric, Sony, Hitachi and Victor Company of Japan. None of the four intends to commercialise the new system before the spring of next year at the earliest.

The agreement calls for the adoption of the 8mm format as a processing system and for the use of both the FM (frequency modulation) and PCM (pulse code modulation) methods as sound signal recording systems. It also calls for the use of a cassette with a one-hour recording time that will be about the same size as a standard audio cassette.

Discussions on an 8mm standard for video equipment began in Jan-

ary last year between Philips and the four Japanese manufacturers. Initially the Japanese side seems to have taken the view that the new system should be used for video cameras only. What has now emerged, however, is a standard for the production of a single unit that will be both camera and tape deck.

The standard incorporates alternative technologies for voice recording heads pushed by rival Japanese companies.

Japanese electronics makers appear to believe that the new 8mm system will coexist with existing half-inch video systems and will thus not threaten the position of the VHS and Betamax "families" which now dominate the world video market.

One reason why demand for the half-inch system is expected to continue is that playing time on the 8mm system will initially be shorter than on the half-inch system. Japanese makers also claim that demand for a combined unit incorporating a camera will be limited. The Japanese makers appear un-

Denmark to use Eurodollar rates for U.S. issue

By Mary Ann Stegath in London

DENMARK will break new ground in the international capital markets this week when it becomes the first foreign borrower to launch a floating rate bond issue exclusively in the U.S. market, although the interest rate will be pegged to Eurodollar deposit rates.

The issue, which will be placed privately by Salomon Brothers, the U.S. investment house, is expected to be for about \$150m for seven years, and will carry interest at a margin of 1/2 per cent over the three-month London Interbank offered rate (Libor) for Eurodollars.

Salomon Brothers says it has detected a growing demand for such floating rate paper from savings institutions and regional commercial banks in the U.S. which need a high-yielding investment to cover their liabilities from their new money market investment accounts launched for retail clients last December.

But Mr Jeffrey Hanna of Salomon Brothers in New York explained yesterday that these institutions are not familiar with the Eurodollar market where such floating rate notes are common. "They have never bought Eurodollars before and feel uncomfortable with them, so the idea of a domestic floating rate note based on European rates gets over some of these problems."

Floating rate debt issues in the U.S. are in any case rare. They are usually pegged to Treasury Bill rates and launched by domestic borrowers. Mr Hanna said that the advantage of this issue to investors is that bonds based on Eurodollar rates tend to have greater price stability in secondary trading.

Denmark, whose credit rating was recently reduced by Standard and Poor's to AA+ from its top category of AAA, is using the opportunity to tap a new market for its foreign borrowing. It is also able to raise money from U.S. banks without paying a margin over the prime rate.

Earlier this month the same hybrid formula linking the Eurodollar market to the U.S. domestic credit market was used by R. F. Goodrich, the U.S. tyre manufacturer, to raise \$50m. The deal was also managed by Salomon Brothers.

Capital Markets, Page 38

Left and unions attack French austerity plan

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government has come in for sharp criticism from trade unions and leading members of the Socialist party for its austerity package.

M. Francois Mitterrand's Socialist-led administration has also raised a host of protest from sympathisers, opponents and most of the travel industry against the new restrictions on foreign travel allowances.

As Parisians besieged banks yesterday afternoon to obtain foreign currency before the FF 2000 (\$375) limit on foreign travel allowances came into force at midnight, a right-wing evening paper splashed its front page with the headline "The anger of the French."

The travel industry yesterday called on Parisians to take part in a silent march on Wednesday to "defend the freedom of travel."

The reaction to measures widely regarded as inevitable in the wake of the devaluation of the franc has further damaged the Government's standing and will obviously make more difficult the tricky task of rallying the unions and labour into accepting sacrifices.

M. Edmond Maire, leader of the pro-Socialist CFDT union, said yesterday that he was in "total disagreement" with the way the measures had been put through and had

profound doubts about their substance.

In January M. Maire warned the Government that further belt-tightening measures would be necessary and was then denounced by Socialist leaders for undermining the unity of the Left.

He was particularly bitter that the measures had been decided by the Government acting alone, "in haste," without consultation with the unions. He believed that the Government had sacrificed its employment objectives.

M. Henri Krasucki, head of the Communist-led CGT union, said that adjustments to the package were "indispensable." He stressed the need for economic growth and increases in "popular consumption." "Otherwise there will be recession and unemployment," he said.

The executive committee of a Socialist Party now bruised and demoralised by the successive shocks of an electoral reverse, a third devaluation of the franc and the adoption of a deflationary economic policy, pledged its support to the Government in a resolution adopted after its weekend meeting.

But from the speeches leaked to Murray warning, Page 16

Paris set to break chemical deadlock

BY DAVID MARSH IN PARIS

THE FRENCH Government is taking steps to unblock the months-long deadlock over the restructuring of the country's mainly nationalised chemical industry. The plan was announced four months ago but has been held up because of lack of public funds.

According to reports in Paris, the Ministry for Research and Industry could soon decide to take over formally the FF 3bn (\$414m) debts of the heavily-loss making chemical division of state-owned Pechiney Ugine Kuhlmann, which is at the centre of the proposed shake-up.

Under the plan, put together after months of wearisome negotiations last November, the Pechiney unit, Produits Chimiques Ugine Kuhlmann (PCUK), is to be carved up among other nationalised companies, led by the Elf Aquitaine oil group.

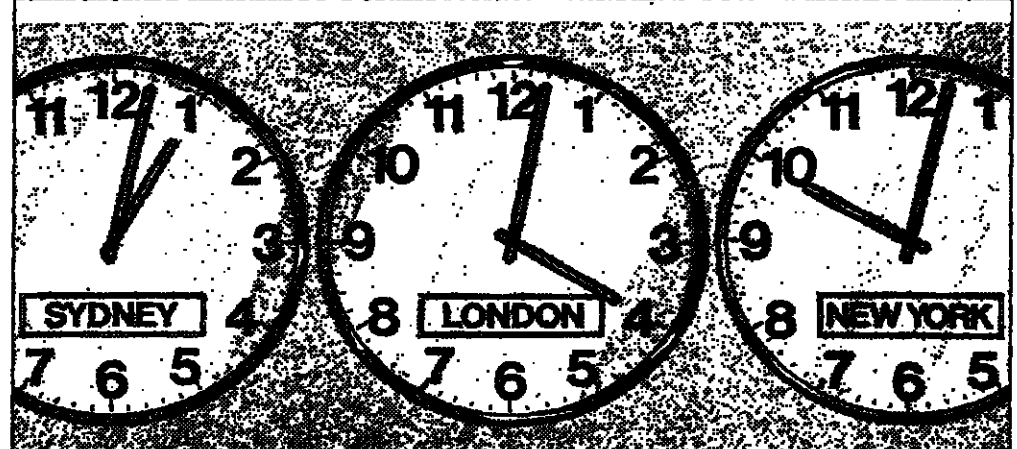
A major stumbling block, however, has been the size of PCUK's debts, which Elf - due to take over all the company's halogen activities as well as its research organisation - is refusing to absorb.

Already FF 1bn of PCUK's debts are being settled by the Government under the financial plan for nationalised companies, presented last month by M. Jean-Pierre Chevènement, the former Research and Industry Minister who has just left the Government.

The new Minister, M. Laurent Fabius, could decide soon that the Government will also pay off the remaining debts, though over a period of years.

The Ministry said yesterday that no decision had yet been taken, although it was expected soon.

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EUROPEAN NEWS

Paul Betts talks to the Mayor of Dreux who has decided to resign after an election fight sullied by racism

Heat under the melting pot in a charming French town

THERE USED to be a big sign where the ships from North Africa docked in Marseilles greeting the immigrants with "Dreux welcomes you with open arms." An old timer from Algeria recalls. Dreux is a long way from Marseilles but the results of that welcome have turned it into a problem town.

Dreux sits cozily in a rural setting 50 miles west of Paris, and appears to have all the advantages of being close to the metropolis without the disadvantages of suburbia.

But this apparently charming town of 35,000 people, whose values have traditionally reflected those of the small provincial bourgeoisie, is being torn apart by an issue that is fast becoming a major challenge for the Mitterrand Government — its bulging population of immigrants.

In 1977 the voters of Dreux elected a woman to be their mayor, the first in a French town of 30,000 people or more. Françoise Gaspard, 32, was one of the glittering young socialists that President Mitterrand has sought to surround himself with.

Her family runs a small garment business in the Dreux area and from her small bourgeois background she is one of the few French women to have attended the prestigious Ecole Nationale d'Administration (ENA) from which Ministers and high state functionaries emerge.

Mlle Gaspard has just been re-elected mayor of Dreux. She won, however, by the thinnest of margins: only eight votes more than the Right-wing opposition list led by a local member of the neo-Gaullist RPR party, who teamed up with M Jean Pierre Stirbois, the secretary-general of the Front National, France's own extreme Right-wing National Front.

"It was the most vicious of all the municipal campaigns," Mlle Gaspard said, in her small flat near Dreux town hall. And, remarkably, Mlle Gaspard has now decided to step down. "I will remain on the town council but not as mayor. It is the only way to bring back some calm here and to reduce the tensions. There is real hatred."

"The Right broke a traditional rule of French politics in the municipal elections," she claims. "There has been a general understanding not to use the immigrant problem for political ends in France. But immigration became the central issue of the local campaign and explains why the Right did well in so many places."

Dreux was chosen by the extreme Right to be its focal point in the election. M Stirbois has a home near Dreux and the National Front had done well in the local elections last year, gaining more than 12 per cent of the vote. They were also fighting a woman candidate in

a town which has become a classic case history of immigration in France.

"In the last 20 years the population of Dreux has tripled and not because the Dreuxais made many babies," says Mlle Gaspard. Some large industries — Philips and Renault, among

them — explain Mlle Gaspard. "But neither the French nor the Algerians regard them as part of their community."

The economic recession in the past two years has brought to the surface the strains of Dreux's immigrant problem. More than 20 per cent of the

"It was the most vicious of all campaigns. I will remain on the town council but not as Mayor. It is the only way to bring back some calm here and to reduce the tensions. There is real hatred."

them — built facilities in the area and needed workers. They recruited them beyond the Mediterranean and the first wave of North African immigrants arrived.

The motor industry also used Dreux as a dormitory for the Simca-Chrysler plant at Poissy and the big firm plant of Renault. More immigrants, this time mainly Italians and Turks, arrived to build the lodgings to house the immigrant workforce. Then in 1969 after the independence of Algeria, came the so-called Harkis: the Algerian soldiers in the French army who had the choice of either leaving Algeria or being shot. Some 200 families settled in Dreux: there are 2,000 Harkis today. "They are French but

population is immigrant: 15 per cent North African, excluding the Harkis.

Dreux welcomed the North Africans in the sixties because its then mayor, M Maurice Violette, had been governor of Algeria and had close ties of friendship with the Maghreb nation, Mlle Gaspard explained.

But the immigrants have changed. The new younger generation, many born in France, also suffer from a feeling of being outcasts both in their homelands and in their new adopted country. "It explains why some take refuge in Moslem fundamentalism, since religion gives them a sense of belonging. It explains why others go off and form gangs," Mlle Gaspard says.

Coupled with high unemployment, the problem suggested that Dreux was ready to be exploited by the extreme Right.

It duly turned on Dreux with a vengeance during the municipal election this month. In most other parts of the country, the traditional Right-wing parties refused to join (in public at least) the National Front in the lists.

But at Dreux, although the candidate of the pro-Giscard d'Estaing UDF refused to team up with the National Front, it found a ready response from the local RPR. The alliance was dissolved, however, by M Jacques Chirac, Mayor of Paris and leader of the RPR.

"They pulled every dirty trick in the book," claims Mlle Gaspard, who was shot at during the campaign. Anonymous leaflets were distributed. One said: "Young French women, Francoise Gaspard amuses you and abuses you. Tomorrow she will give your job away to an immigrant." Another claimed Mlle Gaspard had freed young North African criminals to roam about the streets.

Mlle Gaspard showed a photograph of masked members of the National Front distributing leaflets in the streets.

"We won at the end of the day," she says. "But this town had reached a feverish pitch of hatred. For this I felt it best to resign. Indeed, since my



gesture, the tensions have begun to drop."

What happened at Dreux was an extreme example of the climate of racism spreading in France, Mlle Gaspard says. "The Left has generally treated the problem in the abstract, full of good intentions. But something concrete must be undertaken, especially by the Government. The situation is very alarming, everywhere."

There have been no riots in Dreux, unlike Lyons and Marseilles. But even M Gaston Defferre, the Interior Minister and Mayor of Marseilles, has acknowledged that the situation is more complex and worrying in Dreux.

There is none of the souk atmosphere of Marseilles at Dreux, but racism and feelings of hatred have been stirred to the point of parody.

Would-be travellers

rush to beat currency restrictions

BY DAVID MARSH IN PARIS

IN THE week before Easter, when the scent of holidays is in the air, President Francois Mitterrand has underlined to French people seeking sun and fun in foreign resorts that there is no such thing as a free lunch — whether tortilla or spaghetti bolognese.

Just over a year after bringing in wide ranging social reforms including five weeks annual holiday for all, the Socialist Government has invited the electorate to help foot the bill — by instructing that holidays should be spent at home.

The draconian restrictions on tourist spending abroad brought in under Friday's package of economic austerity measures have provoked an outcry from Frenchmen accustomed by years of growing prosperity to indulge their foreign wanderlust during the summer months.

Yesterday in Paris queues 20 to 30 strong formed outside banks and money changers to convert francs into foreign currencies before the restrictions took effect at midnight.

The main money-changing branch at the Banque Nationale de Paris in the centre of the city was reported to be close to running out of francs and fire queues even lined up at the counters of the Banque de France.

The Association of Travel Agents warned that thousands of jobs were at stake among the 20,000 employed since foreign travel organisations in France. M Jacques Mallot, president of the leading travel company, Nouvelles Frontieres, complained of "catastrophic consequences". His company kept all its Paris offices open until midnight yesterday for those wishing to book foreign trips before the new rules took force.

Roughly 9m people, or around one sixth of the population, travel abroad each year. But as one French official himself fumed yesterday, the restrictions on individuals' freedom affect even those who have no plans for foreign holidays. "I don't think tourists are responsible for the current account deficit,"

he said. "The measures were drawn up by a caste of technocrats who don't understand the important things of daily life."

France's overall "invisible" account in tourist trade showed a surplus of FF 1,550m (£1.1bn) last year, more than 50 per cent up on 1981. Spending in France totalled FF 45,700m (£4.3bn) while French spending abroad amounted to FF 32,500m (£3.1bn) — a figure which the Government hopes the new restrictions will reduce by around FF 5,000m (£470m).

The measures will restrict currency spending per person to FF 2,000 (£100) per year and FF 1,000 per child, with an extra FF 1,000 per person allowed in spending money in francs. Use of credit cards will be banned. Although under a special dispensation, card-carrying Frenchmen already abroad will be exempted from the restrictions until after the Easter holidays.

Those who concern yesterday not only about holiday-making Frenchmen being stranded in Nepal or Sri Lanka but also about the effects of the rules on commercial travel. Businessmen shaking foreign trips judged as helping export efforts will be allowed to spend FF 1,000 a day.

But the amount of form-filling needed to qualify for the extra allowance — costs, hinder efficiency — and businessmen can easily get through FF 10,000 worth of foreign buyers for two days in New York, one analyst commented yesterday.

Tourist associations in countries like Italy, Spain, Morocco and Tunisia much frequented by French travellers have been shocked by the severity of the measures.

Setting a biting, customs officials will surely be a growth industry on France's borders this summer. Among the tips openly offered were the hiding of FF 500 notes in socks and underwear, making use of black currency markets in Asia and Latin America, and the holding of "I don't speak French" seminars just affected by the new controls.

Dutch coalition split over extra public spending cuts

BY WALTER ELLIS IN AMSTERDAM

SHARP DIFFERENCES of opinion within the ruling Dutch centre-right coalition over the extent of further cuts in public spending have shattered the harmony that was expected to prove one of the Government's main attractions.

Last week, Mr Ed Nijpels, 33-year-old leader of the Liberals, junior partners in the coalition with the Christian Democrats, threatened to withdraw his support unless an extra austerity package worth around FF 2bn (£500m) was introduced. Some FF 15bn in cuts for 1983 have already been announced.

Mr Rijkman Groenendaal, Prime Minister, retorted that the Government's economic and social policy must not be narrowed down to a single tactic aimed at reducing the budget deficit.

Mr Nijpels, who by choice is not in the cabinet, subsequently withdrew his threat but has made plain that he and his six Liberal colleagues in the cabinet still expect renewed action on spending.

To complicate matters, the arch-conservative in the place is not a Liberal at all, but a Christian Democrat, Mr Henk van den Broek, the Finance Minister, believes that only an extra FF 3.5bn in cuts will keep the Government's policies on target.

Last month the Dutch Central Economic Commission of civil service heads warned that further reductions from natural gas would hit the public sector deficit this year would rise by FF 300 above forecast. Additional spending cuts of FF 7,500m for this year and next were urged.

Mr Rijkman, 52, reported to want a 1 per cent reduction in the minimum wage, and a series of cuts in social welfare benefits, with effect from July 1, coupled with lower civil service wages, higher health insurance contributions and reductions in departmental budgets.

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EUROPEAN NEWS

Confidence vote clears way for Italian budget

BY JAMES BUXTON IN ROME

THE ITALIAN Government yesterday won comfortably an important parliamentary vote of confidence which virtually completes the approval by the Chamber of Deputies of the 1983 budget and much of the financial legislation that goes with it.

Nevertheless, the Government of Sig. Amintore Fanfani can claim credit for pushing the often unpopular legislation through the lower house in record time, considering that much of it was introduced some weeks after the Government came to power at the beginning of December.

This speed is mainly due to the ruthlessness with which the Government has been prepared to attack the opposition, and to the approval of the legislation to public votes of confidence. This obliged its supporters to back the Government and prevented too much amending of legislation to allow for extra spending.

In the past few days, the Government also received unexpected help from Sra. Nilde Iotti, the Communist president of the Chamber of Deputies, who cited the urgent economic situation to use powers (never previously employed) to rule out of order hundreds of

obstructive amendments put down by the opposition. The budget and the Finance Bill, as well as decrees on specific measures which have already been passed, fix government spending for 1983. They also contain specific measures intended to hold down the public sector borrowing requirement to last year's level in money terms of L71,000bn (£23.5bn) or just under 14 per cent of gross domestic product.

But some of the measures which were announced in two sets of revenue-raising measures at the turn of the year have yet to be approved by Parliament. They include a proposed "one and for all" tax intended to raise L2,500bn (£1.17bn).

In addition little has been done to correct a trend which suggests that the PSBR this year will exceed its target by some L7,000bn (£3.5bn) and it has not been possible to cancel the effects of parliamentary defeats which added L740bn (£347m) to this year's spending allocations.

The Government is concerned that even though it stands a chance of meeting this year's PSBR target, next year's deficit could again soar in real terms, in the absence of serious surgery on spending as opposed to measures mainly increasing revenue.

Pravda says weapon plan violates space pact

THE U.S. is violating the spirit of a 1967 treaty on space exploration by making plans to deploy a futuristic anti-missile defence system in outer space, according to the Soviet Communist Party Daily Pravda yesterday, AP reports from Moscow.

The authoritative party newspaper said that the arms race in space "is becoming one of the main lines of struggle between the superpowers."

"This course," Pravda added, is "tantamount to the violation of the 1967 treaty on principles guiding the activity of states in exploration and use of outer space" and "creates a threat of strategic destabilisation."

The newspaper claimed that Moscow had proposed a United Nations agreement two years ago that would ban "deployment for outer space of weapons of any type" but that its efforts to achieve such an agreement had been thwarted by Washington.

Pravda repeated allegations voiced by Mr. Yuri Andropov, the Soviet Leader, in an interview with the newspaper Sunday that American plans for a sophisticated anti-missile defence in space were part of the Pentagon's strategy aimed at launching a nuclear first strike.

Bridget Bloom writes: The British Government would neither confirm nor deny yesterday that Mrs. Margaret Thatcher, the Prime Minister, had received a letter from President Ronald Reagan outlining new U.S. proposals to limit medium-range nuclear missiles in Europe.

It has been widely reported over the past week that the U.S. under pressure from its European allies, is ready to put forward new proposals at the Geneva arms control talks which would fall considerably short of the zero option. This, which envisages no deployment of new U.S. cruise and Pershing 2 missiles in return for the dismantling of 500-600 Soviet missiles, has been rejected by the Soviet Union and has led to stalemate at the Geneva negotiations.

Mr. Reagan is believed to have written last week to key NATO heads of government detailing his administration's new proposals. President Reagan is expected to present the new plan in this light on Thursday in a speech in Los Angeles. According to official unconfirmed reports, Mr. Paul Nitze, leader of the U.S. delegation in Geneva, will table the new proposals this morning at what is scheduled to be the last session in the current round of the negotiations.

According to reports from Washington, President Reagan will not mention specific numbers in his speech on Thursday. However, it is thought that the U.S. will propose that the U.S. and the USSR should establish ceilings on the number of medium range missiles in Europe. It has been suggested that the limit might be 300 warheads for each side.

The Belgian Government has provisionally selected an air base 65 kms (40 miles) south of Brussels as the deployment site for U.S. Cruise missiles. Defence Ministry spokesman Col. Willy de Meulere said yesterday, writes AP from Brussels.

Moscow throws line to struggling Yugoslavs

BY ALEKSANDAR LEBL IN BELGRADE AND DAVID BUCHAN IN LONDON

YUGOSLAVIA is turning its political non-alignment to good economic advantage, with the Soviet Union now clearly seeking to match, to some degree, the financial rescue effort being mounted by Western governments and banks.

This is the overall conclusion being drawn from last week's successful visit to Belgrade by Mr. Nikolai Tikhonov, the Soviet Prime Minister, who promised increased trade and oil shipments, while refraining from using his trip to attack Western policies in a way which has embarrassed Yugoslav leaders in the past.

A complex rescue package for Yugoslavia, which has severe difficulties in servicing its

\$19bn foreign debt, is being put together by Western-based institutions. It involves loans from the International Monetary Fund, the Bank for International Settlements, rescheduling and fresh loans from commercial banks, and a special \$1.5bn contribution from 15 NATO and neutral governments.

If some Yugoslavs were worried that acceptance of Western government aid, in particular, implied a tilt in their country's non-alignment, this concern will be allayed by what Mr. Tikhonov had to offer:

● A 20 per cent increase, to 5,350 tonnes, in Soviet oil shipments this year. The benefit to Yugoslavia is that it pays for this oil, albeit at world prices, in barter under its

regular bilateral clearing arrangement with Moscow.

● A promise to fulfil, and maybe improve on, the \$7bn target set for total Soviet-Yugoslav trade this year. Yugoslav officials had been concerned that Soviet shipments might be decreased.

The joint communiqué at the end of the visit said co-operation should be increased in the areas of nuclear power, electronics, industrial robotics, food processing, construction and transport. Mr. Tikhonov also signed a contract for 24 small ships worth \$180m.

Yugoslavia tries to maintain a spread in its trade to buttress its political non-alignment. Last year, its trade was 41 per cent

with the industrialised West, 42 per cent with Comecon and 17 per cent with the Third World. The Tikhonov agreement could increase Yugoslavia's commercial dependence on the East—one third of its trade is already with the Soviet Union alone. But the Yugoslavs hope to offset this with even faster growth in trade outside the Comecon bloc.

In contrast to Mr. Andrei Gromyko, the Soviet Foreign Minister, who visited Belgrade last year, Mr. Tikhonov kept his criticism of Western and U.S. policies within what this Yugoslav husta considered acceptable limits.

He said it was the "deeply sincere" Soviet wish to see Yugoslavia "a strong united

and prosperous country, constructing socialism," echoing Western governments who, of course, omit the words socialism.

Many observers in Belgrade attribute the conciliatory Soviet attitude to the Yugoslav crisis to the current Western show of support for it. Others, however, believe that the Kremlin considers post-Tito Yugoslavia less important internationally and therefore less of a nuisance.

They point to the fact that the Soviet Press these days plays down Yugoslavia's international activities and, in its reporting of the non-aligned summit in New Delhi last month, made virtually no mention of Yugoslavia.

Strikes hit banks in Spain

By Our Madrid Correspondent

TENS OF thousands of Spanish bank workers yesterday staged the first day of a strike over pay which is set to last until the start of the Easter holidays on Thursday. But banks claimed they were able to offer more or less normal services.

Unions contended that the strike turnout was as high as 85 per cent, against the banks' claim that it was no more than 15 per cent.

The strike comes amid a wave of protests coinciding with sector-by-sector pay talks. These are being held within the framework of a national agreement between unions and employers setting a basic band of increases of between 8.5 per cent and 12.5 per cent for this year.

Spanish companies offered deal on debt

BY DAVID WHITE IN MADRID

HARD-PRESSED Spanish companies have been offered a deal by the Government on their outstanding debts to the social security system, estimated to amount to Pta 832bn (\$4.16bn). This is equivalent to 30 per cent of the country's total social security budget for this year.

The government decree, aimed at defusing an element of tension with employers' organisations, allows the companies, once they have acknowledged their debt, to negotiate payment by instalments over a period of up to three years.

Interest is set at the Bank of Spain base rate of 8 per cent. The relief measure comes after a fraud scandal in Barcelona, where more than 30 company officials have been arrested in recent weeks on charges of falsifying their social security declarations. The wave of arrests sparked off counter-charges by employers that the Government was "persecuting" the private sector.

The failure of many companies to pay their full contributions shows the delicacy of their current financial situation. The debt is reckoned to have increased by at least Pta 800bn in the course of last year. A considerable part of the total registered as being owed to the social security system corresponds to companies undergoing bankruptcy proceedings, or which have been wound up.

Under the decree, companies have until the end of May to accept the deal.

Foreign exchange brokers jailed for Herstatt fraud

BY JONATHAN CARR IN BONN

THREE FOREIGN exchange brokers who worked for the Cologne-based Herstatt Bank, which collapsed in 1974 with losses of around DM 1.2bn (\$240m) has been given prison terms for fraud. The defence promptly announced it would appeal.

The sentences passed yesterday by a Cologne court are the first to emerge since the trial of those allegedly involved in the bank's downfall began four years ago.

The longest sentence—of seven-and-a-half years—went to Herr Norbert Arden, aged 46, formerly a freelance foreign exchange broker in Frankfurt.

Another broker, Herr Bruno Heinen, 40, was sentenced to four-and-a-half years imprisonment and the third, Herr Bruno Bilsen, 44, was given three years and nine months.

The court found that the accused had caused big losses to Herstatt, and made large sums for themselves, by fraudulent foreign exchange speculation so refined that it remained undiscovered for years.

The prosecution had argued throughout that the sentence finally passed had to be severe enough to deter other potential "white collar criminals" in the banking sector.

However, Herr Heinen and Bilsen were both released from custody at once, pending the defence appeal, and Herr Arden

was being freed shortly on payment of DM 1m bail.

Yesterday's judgment is only the latest event in the tangled saga since Bankhaus I. D. Herstatt closed its doors on June 26, 1974, admitting that foreign exchange transactions had "appeared incorrectly" on its books.

The event sent shockwaves through the international banking community, led to a change in German banking law and brought lengthy and complex liquidation proceedings.

The trial of those charged in connection with the bank's collapse finally began in 1979—but two of the key defendants were released on medical grounds shortly afterwards.

The head of the bank, Herr Ivan Herstatt, produced reports saying he had serious heart trouble while the head of the foreign exchange department, Herr Dany Dattel, was said by doctors to be liable to suicide attempts.

Last March the court decided to split the trial into two parts believing—as events have proved—that a judgment could be more quickly reached over the three foreign exchange brokers.

Proceedings are continuing separately against three former members of the bank's senior management, Count Bernhard von der Goltz, Herr Heinz Reichenich and Herr Kurt Wikkell.

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24 new companies make it a record month for Wales.

The number of businesses choosing to settle in Wales hit an all-time peak in February. Most of the newcomers are in the high-technology sector.

A spokesman for the Welsh Development Agency said, "We are delighted to welcome these recent arrivals."

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OVERSEAS NEWS

Palestinian schoolgirls 'were not poisoned'

By Patrick Cockburn in London

THE ISRAELI Health Ministry yesterday insisted that no evidence of deliberate or inadvertent poisoning in several schools on the West Bank had been discovered after an outbreak of sickness among some 250 Palestinian schoolgirls at the weekend. They are suffering from nausea, fainting and partial blindness. There have been accusations that they are the victims of Israeli or Arab extremists. The outbreaks of sickness, at a number of West Bank schools, has stirred up rioting and has increased tension in the area. Tomorrow Palestinians celebrate "Lan Day," which commemorates the death of six Arabs in anti-government riots in 1978.

Meanwhile, there is little sign that Mr Philip Habib, the U.S. special negotiator, is having much success in persuading the Israelis to withdraw from Lebanon.

The sticking point is that the Israelis want Major Saad Haddad to remain in control of his militia in southern Lebanon, even if his forces are amalgamated into the Lebanese army. The Lebanese Government regards Major Haddad as an Israeli surrogate.

New outbreak of violence in Assam

By K. K. Sharma in New Delhi

A BOMB exploded yesterday in the heart of Gauhati, capital of the north-eastern Indian state of Assam - destroying a government building. The attack came a day after student leaders announced the decision to suspend their agitation from April 1.

Prime Minister Mrs Indira Gandhi is to visit Assam for three days on Wednesday and the students plan to demonstrate against her.

The students are pressing for the identification and deportation of "foreigners" (mainly Bengalis from Bangladesh and West Bengal) who, they claim, are swamping Assam culturally and economically. The recent violence during the elections to the state assembly led to more than 3,500 deaths.

Early cut likely in Japanese discount rate

By CHARLES SMITH, FAR EAST EDITOR IN TOKYO

AN EARLY reduction of between half and one percentage point in the Bank of Japan's discount rate has emerged as a strong probability following a meeting yesterday between Mr Haruo Masekawa, Governor of the Bank of Japan, and Mr Yasuhiro Nakasone, the Prime Minister. The rate currently stands at 5.5 per cent.

Mr Nakasone took pains at the meeting to stress that a decision on cutting the rate is up to the Bank of Japan. "This does not alter the fact that the Government hopes to include a substantial discount rate cut in a package of relation measures to be introduced next month after the 1983 budget passes the Diet (parliament)."



Mr Nakasone

A senior Bank of Japan official yesterday denied that the bank had reached any decision on the discount rate but volunteered the opinion that the current level of real (net of inflation) interest rates in Japan is abnormally high.

The official also stressed that the Bank of Japan's most recent survey of business conditions revealed "disappointment" among company presidents about the recent performance of the economy.

The Bank of Japan has held

the discount rate at 5.5 per cent since December 1981, when the rate was cut by 0.7 per cent, despite the fact that the inflation rate has subsided significantly since then.

The Bank's reluctance to shift the rate appears to be based on a fear that any reduction in the current level of Japanese interest rates might precipitate a flow of capital out of Japan which could seriously weaken the yen.

Heds roll at Hitachi over IBM 'secrets plot'

By JUREK MARTIN IN TOKYO

HITACHI HAS either demoted or reassigned four staff members allegedly involved in a plot to steal trade secrets from International Business Machines.

The Japanese company's action comes two weeks before the April 9 deadline for settlement of the civil suit brought by IBM against Hitachi, which two months ago pleaded guilty to criminal charges that it had conspired illegally to obtain computer secrets from the U.S. industrial leader.

The principal head to roll was that of Mr Yasukichi Hatano, previously group executive director in charge of computer

operations: he remains a director but without specific portfolio. Mr Kisaburo Nakazawa, previously general manager of Hitachi's mainframe computer plant at Kanagawa, has been moved to the general corporate staff in Tokyo.

The two Hitachi engineers arrested by agents of the Federal Bureau of Investigation (FBI) in the act of receiving IBM documents, Mr Kenji Hayashi and Mr Isao Ohnishi, have been transferred to the company's personal computer plant in Yokohama from the Kanagawa plant and from software operations respectively.

Manila aims to boost international reserves

By Leo Gonzaga in Manila

THE PHILIPPINES' central bank yesterday announced a plan to boost the country's international reserves and make the local investment climate more attractive.

Sr Jaime Laya, the bank's governor, said the bank would set up a subsidiary to buy properties which foreigners could lease rent-free. The properties would include houses and lots for expatriates and business offices and industrial plant sites for foreign companies.

In each case, the foreigners would have to bring in foreign exchange to cover the cost of acquisition plus what the Governor calls "out-of-pocket" costs.

Foreigners would not own the property. Interest earnings from the inflow of foreign exchange would take care of the rent forgone or waived.

The plan, which has been approved by President Ferdinand Marcos, stipulates that if and when the foreign individual or entity using the leased property wanted to repatriate the money spent on the original investment, the foreigner would have to find a buyer and the transaction would have to be approved. If the transaction resulted in capital gains, the foreigner would have to pay the tax.

The plan is a response to the U.S., European and Japanese Chambers of Commerce which have complained that when foreigners renew leases with private property owners, rents are raised "many times" over previous levels.

Investment in Indonesia still buoyant

By Richard Cowper in Jakarta

OVERSEAS companies continued to commit themselves to a high level of investment in Indonesia last year, even though the economy weakened overall.

Figures released by Indonesia's Investment Co - ordinating Board (BKPM) show that net foreign investment approvals outside the oil sector last year rose by 11 per cent to slightly over \$1.5bn.



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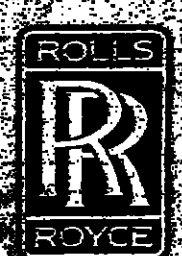
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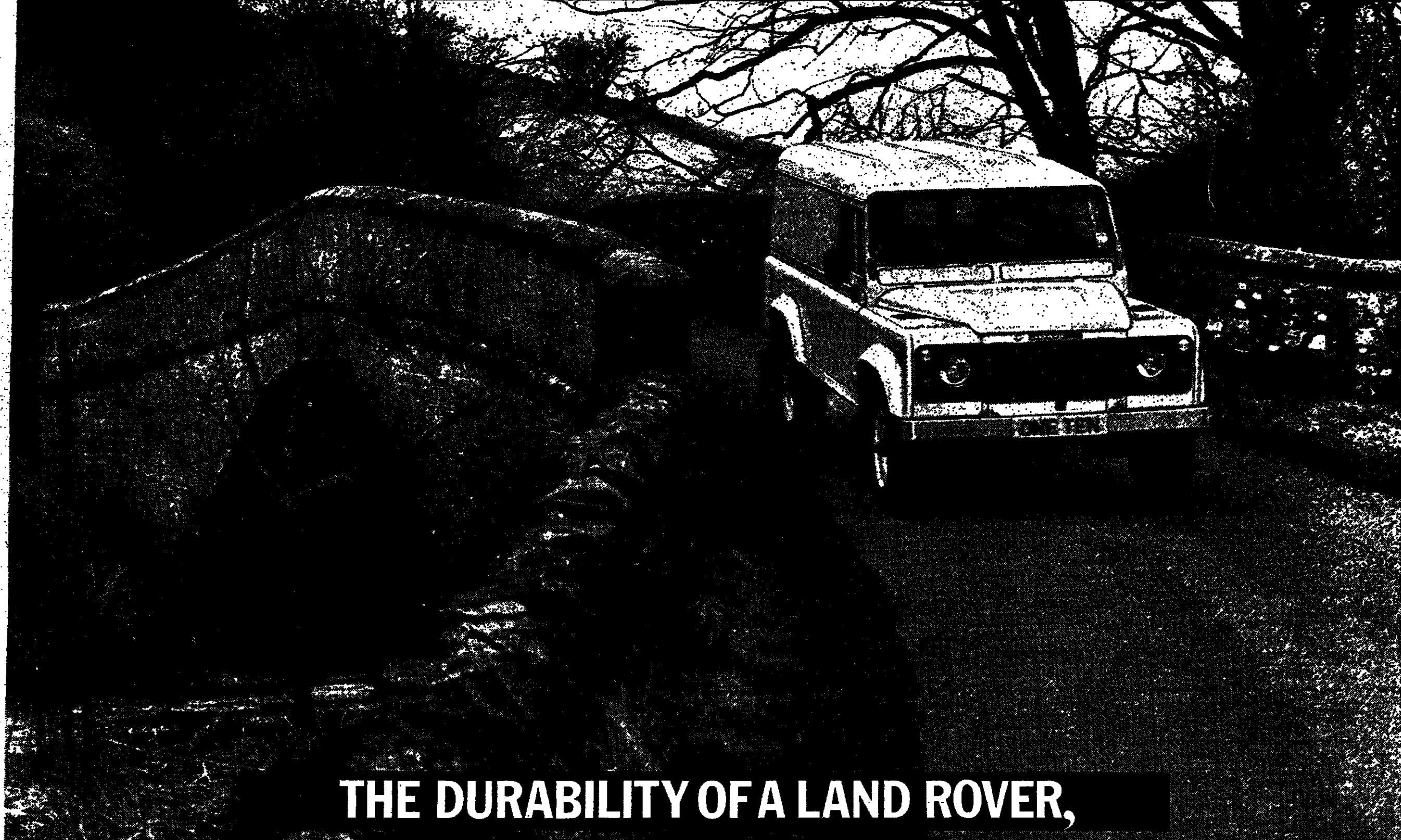
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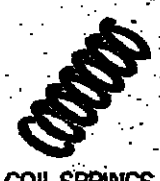


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AMERICAN NEWS

Chile bid to hammer out rescheduling agreement

By Peter Montagnon, Euromarkets Correspondent

CHILE YESTERDAY began a crucial round of talks with its leading commercial bank creditors aimed at hammering out an agreement on its request for \$3.5bn (£2.4bn) of debt to be rescheduled and for \$1.2bn in fresh loans this year.

The talks in New York, which are chaired by Manufacturers Hanover, are expected to last at least until mid-week. Some bankers said yesterday that a deadline of Friday has been set and the talks will continue until it is reached.

As the meeting opened, however, there was still evidence of potential differences between the two sides on three crucial issues.

● The banks were expected to seek margins of around 2½ per cent over Eurodollar rates or 2½ per cent over prime for rescheduling debt falling due this year and next.

Proposed margins for the \$1.2bn new loan were 2½ and 2½ per cent respectively, but in both cases the Chilean team led by Sr. Tomas Müller, a former vice-chairman of Banco de Chile, is expected to resist on the grounds that the margins are too high.

● Still unclear is the degree to which the Chilean authorities will take responsibility for private sector debt. This is vital to the banks as two-thirds of Chile's \$17.2bn foreign debt is owed by its all-glass private sector.

● The banks will also want detailed explanations from Chile about how it intends to stick to the targets outlined in its newly rescheduled \$875m International Monetary Fund loan programme. Without IMF support for Chile, the banks will not agree to a rescheduling or new loans.

Chilean officials said at last week's Inter-American Development Bank (IDB) meeting in Panama that the only substantial change in the IMF programme is an increase in the permitted fiscal deficit to 2.3 per cent of gross national product from the original target of 1.6 per cent.

This means that Chile will still have to restore its reserves to the originally targeted level of \$2bn, after heavy outflows in January and February saw them drop by \$940m to \$1.74bn.

William Chislett in Managua reports on attempts to rebuild the country in the face of a counter-revolution

The 'invisible war' that Nicaragua can do without

THE FOREIGN visitor to Nicaragua, which is facing an escalated counter-revolutionary offensive, is greeted at the airport, not by gun-toting soldiers, but by a lady of wide girth behind the central bank counter keen to ensure that everybody changes \$80 into Cordobas at the official rate of 10 Cordobas to the dollar.

She has every reason to look content, in stark contrast to the pained expression of long-time visitors. The parallel market rate is 28 and on the black market a dollar buys 60 Cordobas. Nobody changed a cent more than was necessary.

The obligatory changing of \$60 every time a foreigner enters the Central American republic is effectively a "revolutionary" tax. Nicaragua, which has been ruled by the Left-wing Sandinistas since 1979 when they overthrew the conservative dynasty of General Anastasio Somoza, is extremely pinched for dollars to meet its economic and war needs.

International prices for its cotton and coffee exports are low and the Sandinistas inherited a large foreign debt. Hotels and international telephone calls also have to be paid for in dollars.

Once through the airport and on the way to the centre of Managua, the capital, it is clear from the numerous slogans that the country is on the defensive. "No pasaran" (they will not pass), referring to the counter-revolutionaries, is daubed across walls along with denunciations of "Yankee imperialism". Nicaragua accuses the U.S. of backing the counter-revolution.



Most of the counter-revolutionaries are former members of Gen. Somoza's National Guard, several thousand of whom managed to flee into neighbouring Honduras from where they have penetrated mountainous Nicaraguan territory.

Four years ago the airport road, which cuts through the main industrial sector, was little more than a bumpy dirt track. Many factories were charred ruins. Today the road is smoothly paved, some factories have been rebuilt and streets bear the names of Sandinistas killed in the civil war.

News of the counter-revolution, in which more than 250 people on both sides have been killed in the past two months, has brought the world's Press to the pyramid-shaped Intercontinental Hotel, a stone's throw from Gen. Somoza's old

home, now a Sandinista barracks.

U.S. television crews sit round in the lobby complaining that the Defence Ministry will not let them visit the combat areas. They conclude that this will be another "invisible war" covered, like the Falklands battle from a distance.

The Defence Minister, Comandante Humberto Ortega, gave a detailed explanation of the counter-revolution and displayed captured weapons and blow-up photographs of the main enemy leaders with their code names. "Good God," exclaimed the man from the Daily Telegraph, rather too loudly for the comfort of colleagues. "I met that one on Honduras. So his code name really is suicide."

Later, the police took over the soft drinks plant which makes Coca Cola under licence. A photograph of the plant's manager, who left Nicaragua last month, was among the pictures displayed. The factory gates were closed and nobody was allowed in. A phone call to the manager's office was answered by a man announcing himself as the new manager. "I am a bourgeois," he said, "but the plant should belong to the people. We have been financing the counter-revolution."

Nearby is Tabacalera Nicaraguense, the local subsidiary of the British American Tobacco Company. Under Gen. Somoza the firm produced 12 brands of cigarettes. Now, because of a shortage of imported cellulose to make filters, it is only selling one brand with a filter, made from local tobacco stem, and another without a



Sandinista reservists on patrol

Riser.

Nicaraguans, who prefer the filtered brand, joke that they now have a cigarette which they can light at both ends. Soon there may be only one filterless and classless brand, as in Cuba.

Petrol is rationed to 20 gallons a month, and there are queues of more than 100 cars outside most petrol stations. The war psychosis has made people fill up their tanks and board, especially before the

Easter holiday.

Soup, flour and cooking oil are now also effectively rationed. The state has taken over the distribution of these items which are rarely available in shops. But the diplomatic community, which is now predominantly from socialist bloc countries, is not suffering. The Government has opened a shop for diplomats, discreetly located inside a house, with piped music and a display of imported goods.

But neither the war nor the economy are the main topics of conversation. People are still talking about the controversial visit by Pope John Paul two weeks ago when there was a political confrontation during his mass between the Marxist-orientated Sandinista-backed "people's church" and the traditional church. The latter has become a channel of dissent for the more conservative sections of society disillusioned with the Sandinista Government. The Pope said there was only one church, and it was the present one, headed by the bishops.

A visit to Radio Católica, which belongs to the Managua archdiocese, confirmed that the divisions between the two churches are now more open than ever.

The station is run by Father Bismarck Carballo, who appeared made on Nicaraguan television last year in an incident which the church has said was set by the Government to discredit him. The church says that he and a woman whom he visited for pastoral reasons were forced to strip naked. He ran into the street just as a demonstration covered by television, was passing by.

The priest said that since the Pope's visit the radio station was more rigidly censored. All programmes, he said, now had to be presented in writing, including the text of the Sunday mass, 24 hours before they were aired.

"It's like asking a newspaper to present its copy on cassette," he said. The church was not prepared to submit its mass programmes to prior censorship.

Managua puts 'U.S. arms' on display

By Tim Cohen in Managua

THE NICARAGUAN Government has again accused both the U.S. and the Honduran army of supporting the right-wing guerrillas at present fighting Government forces in the north of Nicaragua.

To support the claim, the Nicaraguan Ministry of the Interior yesterday put on display scores of U.S.-made automatic rifles, mortars, rockets, grenade launchers, ammunition and other military equipment captured from the counter-revolutionaries in the past two weeks. The rifles bore the stamp "Property of U.S. Government."

The Interior Ministry also presented two prisoners who had been captured in Nicaragua in mid-February, to answer journalists' questions.

One of them, a Guatemalan, said he had been working with Honduran Military Intelligence since 1979 to help in co-ordination and organisation of the counter-revolutionary groups based in Honduras.

He claimed there was close co-ordination between the counter-revolutionaries of the FDN (Nicaraguan Democratic Forces), the Honduran army, and agents of the U.S. Central Intelligence Agency.

The other prisoner, captured on February 19, three days after he had infiltrated into Nicaragua from Honduran territory, said guerrilla units inside Nicaragua were receiving supplies by helicopter from Honduras.

Both prisoners said that morale was low in their units and that there were many arguments amongst the guerrillas. It was apparent from their statements that the counter-revolutionaries had entered Nicaragua in the clear belief that they were mounting a major and decisive offensive to gain control of large areas of territory.

Latest reports on the fighting suggest that it is now being contained in the northern province of Nueva Segovia, near the Honduran frontier, and close to the town of Wiril, Morca, San Antonio, and Santa Clara.

The Government claims to have dispersed most of the 1,500 troops that have infiltrated over the past couple of months, and to have inflicted heavy casualties on them.

Caracas move to aid companies

By Kim Ruid in Caracas

MAJORITY foreign-owned companies operating in Venezuela have been made eligible for a preferential exchange rate to pay estimated foreign debts of \$1.4bn under a reform of the country's multiple exchange rate system.

Private businesses—including companies with equity more than 49 per cent foreign owned—may now use a rate of Bolivar 4.30 to the dollar to repay foreign debts contracted before February 15, the Government decided over

the weekend.

The Venezuelan private sector, which has foreign debt totalling \$8bn, had earlier faced the possibility of having to use a floating rate of around Bolivar 8 to the dollar for repayments.

The Government's initial inflexible treatment of the private sector's foreign debt had caused a major controversy here, with businessmen warning that it would bring about a collapse of private business activity in the country.

The reversal of earlier restrictive decrees is seen as a response to both local protest and complaints of discriminatory treatment of foreign companies made by international banks which are now negotiating the refinancing of about \$10bn of Venezuela's short-term public-sector foreign debt.

Sr. Arturo Sosa, the Finance Minister, is reported to have left for New York on Sunday to renew talks with international banks next Wednesday.

Argentine strikers defy ban

By Jimmy Burns in Buenos Aires

THE REAPPEARANCE of Argentina's General Confederation of Labour (CGT) as one of the most powerful political forces in the country was confirmed yesterday with the virtual success of a 24-hour general strike in open defiance of a Government ban.

In Buenos Aires, where over one-third of the country's population of 28m live and work, commercial life was disrupted from Sunday evening as the bulk of the workforce in the mainly state-controlled transport sector headed the strike

call. In spite of the Government's declaration of the strike as illegal and threats of massive arrests, there were also widespread walkouts in factories surrounding the capital and the northern city of Cordoba.

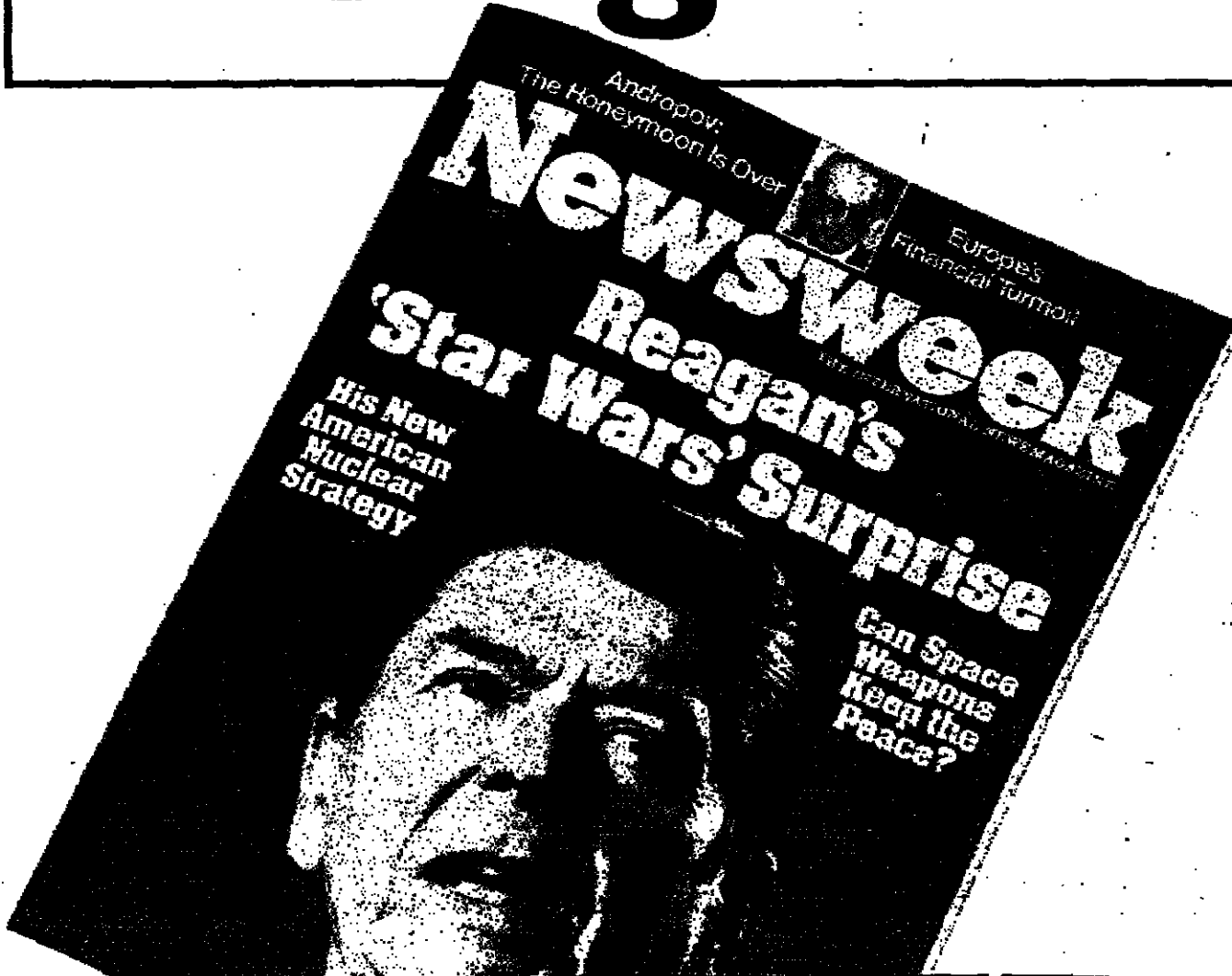
A skeleton staff at banks and exchange houses, a limited number of taxis and privately-owned buses, and some offices in the city centre kept on working. The strike, which has the backing of the moderate and hardline branches of the CGT, was originally called in protest

against the Government's economic policies. Union leaders, under pressure from their rank and file, have rejected a Government offer of 12 per cent increase in workers' take-home pay and a new minimum wage.

The unions have been pressing for increases of up to 30 per cent for state and private sector workers.

Underlying yesterday's action—the second general strike in four months—is the growing political opposition to the military regime.

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A FINANCIAL TIMES SURVEY

SCOTTISH FINANCIAL SERVICES

APRIL 21 1981

The Financial Times is proposing to publish a Survey on the Scottish Financial Services in its issue of April 21, 1983. The provisional editorial synopsis is set out below.

INTRODUCTION Banking and finance is a growth industry in Scotland and has become one of the region's sources of employment. Edinburgh provides an alternative to the City as an established centre for investment. This survey will look not only at the operations of the financial services in Scotland but also at its link with industry and industrial development.

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This survey coincides with an FT Conference on Venture Capital to be held at the Caledonian Hotel, Edinburgh on April 21st/22nd.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The size, contents and publication dates of Surveys appearing in the Financial Times are subject to change at the discretion of the Editor.

Peugeot to double output of vehicles at Tunisian plants

By PAUL BETTS IN PARIS

THE French Peugeot car group is to double its annual production in Tunisia from about 7,500 vehicles to 15,000 vehicles by next year.

This follows an agreement by the large private French motor group and the Tunisian authorities involving new investments jointly undertaken by Peugeot and a group of Tunisian banks and the Tunisian state car company STIA worth about FF900m (about £47m).

The French group will assemble at a new facility now being completed in Tunisia 10,500 Peugeot vehicles and 4,500 Citroën vehicles a year. The French group will hold an 8.33 per cent stake in the assembly plant whose expanded capacity is scheduled to come on stream next October.

The Peugeot group will also jointly invest with its Tunisian partners in a new facility to be built in Tunisia for the manufacture of automobile components. This is due to be completed in the middle of 1985. The French company will own 40 per cent of the plant with the majority 60 per cent held by the Tunisian partners.

The agreement will enable Peugeot to maintain its lead in the Tunisian market at a time when General Motors and Renault are teaming up to build a small trucks facility at the holy city of Kerkouane and rival Renault of France is also in the process of investing in a components plant.

Peugeot is understood to have had little choice but to invest directly in Tunisia if it were to retain its strong market share. The Tunisian authorities have been increasingly pressing foreign companies to boost investments locally to increase employment.

As a result of the agreements with Peugeot, some 1,400 new jobs will be created in the North African country. At the same time, the increase in production for the Tunisian market will increase Peugeot jobs in France.

David Housheer adds: French car production rose 14 per cent in February compared with a year ago, reflecting an improved performance in export markets. According to the Motor Industry Federation which released figures yesterday sales abroad should continue to make headway in the coming months as a result of the devaluation of the franc and the recovery of demand abroad.

New registrations, however, were down 3 per cent in France on a year ago reflecting the slowdown in household incomes. Importers continued to push up their market share capturing 34 per cent of the domestic market in the first two months of the year.

In February domestic sales of French made cars fell by 9 per cent from a year ago to 100,503 units while sales of imported cars rose 12.5 per cent to 47,413 units.

Total production of cars (involving the Peugeot and Renault groups) reached 265,188 for the month.

Australia, New Zealand sign trade treaty

By MICHAEL THOMPSON-NOEL IN SYDNEY

A TREATY defining closer economic relations between Australia and New Zealand, which calls for the phasing out of bilateral trade barriers over the next 12 years, was signed yesterday.

The agreement has been in effect since the start of the year, but its formal signing was delayed because of the recent Australian general election.

The treaty is designed to facilitate trans-Tasman trade, though it is not seen as leading to closer political and financial ties between Canberra and Wellington.

However, both countries are broadly interested in general investigation of means to foster wider co-operation between trading partners on the Asian rim of the Pacific, including Japan, Indonesia, South Korea, Malaysia, Hong Kong, the Philippines, Singapore and Thailand.

Although the scope for achieving far reaching Pacific trade initiatives is considered slim, at least in the short term, ways to foster general co-operation in the area were discussed at a top level conference in Hobart at the weekend, attended by ministerial representatives, top businessmen and academics.

Brazil and Spain plan warship venture

By David White in Madrid

SPAIN IS negotiating a project to build warships in Brazil for Latin American and African markets.

The Spanish state-owned naval shipyard, Empresa Nacional Bazan, is planning to set up a joint venture to make ships in collaboration with the Brazilian navy in the state of Bahia.

During an official visit to Brazil earlier this month, the Spanish naval chief of staff, Admiral Saturnino Suanzes, said Spain was ready to transfer technology in this area.

Sr Felix Alonso-Majagranas, the chairman of Bazan, has expressed hopes that a joint company, Construcciones Navales de Ararat, can be set up before the end of the year.

Bazan, which is fully-owned by the state holding company Taskito, Naesque de Industria, exported about 25 per cent of its production in 1981. It recently delivered a corvette to Morocco and is in the process of delivering a series of six coastguard vessels to Mexico.

The proposed deal comes as Spain is showing concern about the evolution of its trade with Brazil. Overall trade between the two countries is reckoned to have declined last year, with a growing deficit on the Spanish side. Spain's exports to Brazil are estimated at \$70m, against imports of \$340m.

Direct Spanish investment in Brazil meanwhile fell last year to Ptas 1.4bn (\$10.4m) from Ptas 1.6bn in 1981.

Turks to build Land Rovers

Turkey's Hama company has signed a license deal to produce BL Land Rover vehicles locally, Ankara Economic News Agency reported yesterday. AP reports from Ankara.

Under the agreement, Hama would manufacture a wide variety of vehicles for both civilian and military use, including ambulances, police and fire squad vehicles and passenger cars, the agency said.

The output of the plant, expected to start up in 1984, would meet domestic demand, and be exported elsewhere in the Middle East.

Christian Tyler reports on trade relations with Pacific Rim countries

British Columbia's Oriental alternative

PHYSICALLY separated by the great Rocky Mountain chain from the rest of Canada, the 21m people of the province of British Columbia tend to look south to California and west across the Pacific for both pleasure and business.

The province's "orientalism" and its strategic position as the western outlet for exports have now been formally recognised by a federal government whose trade relations with Canada's natural economic partner, the U.S., are going through another prickly patch.

Following a tour of south-east Asia, Mr Pierre Trudeau, Canada's Prime Minister, this month designated Vancouver the headquarters for a new federal — but non-political — institution called the Asia Pacific Foundation. The job of which will be to promote commercial relations with the countries of the Pacific Rim.

An organising committee of businessmen, academics and labour leaders under the chairmanship of a local mining executive, Mr John Brak, is looking for federal backing of C\$20m (US\$16.5m) over three years.

With its large Chinese community and well-established Japanese business links, British Columbia already sends almost as much of its produce to Asia and Australasia as it does across

the border to the U.S., while Canada as a whole relies on the U.S. market for 70 per cent of its foreign sales.

But if Canada feels over-dependent on the U.S., British Columbia is beginning to feel over-dependent on its raw

Korea C\$301m and Australia C\$278m.

The Japanese are not just BC's main export markets after the U.S. They also have a financial interest dating back 20 years in the province's extractive industries — lumber, pulp and paper,

proper thing may partly explain Toyota's planned C\$25m investment in a factory outside Vancouver to build 240,000 aluminium wheels a year from 1985. There is also a hard economic reason: motor manufacturers exporting to Canada may earn a partial remission of Canadian import duty by incorporating components of Canadian origin in their cars.

Three-quarters of the factory's output was due to be shipped back to Toyota's car assembly lines in Japan; but that may change in the light of Toyota's recently-announced joint venture with General Motors in California.

Dependence on the Japanese market is most visible in the north-east coalfield, an area which probably could not have been developed had the Japanese not been persuaded to put in money and take out 7.7m tonnes of coal a year. Begun early in 1981, the project will have cost C\$2.6m by the time the first shipments begin early next year through a new terminal at Prince Rupert, 500 miles north of Vancouver.

The larger of the two mines, Quintette, is owned half by Denison Mines of Canada, 10 per cent by Charbonnages de France, with Mitsui Mining, Tokyo, Bockl Trading and a consortium of Japanese steel

companies accounting for the rest. The other, Bullmoose Mines, is a partnership of the Teck Corporation with Nissho Iwai.

As Japan's steel mills cut back, however, their shipments from the old coalfield in the south-east of the Province where they have 10-year contracts are being curtailed by 10 to 20 per cent. If the same were to happen to the new coalfield it would confirm what some local observers already argue — that the project will never make economic sense.

There are doubts, too, about another megaproject, a C\$2bn scheme by Dome Petroleum, Nissho Iwai and Westcoast Transmission to pipe gas from Alberta and British Columbia to the Pacific coast and ship it in LNG tankers to Japan. The project has had qualified clearance from Canada's national energy board, but Dome has to prove by next January that demand is really there at the kind of price the producers expect.

British Columbia has probably reason enough for wanting to widen its Pacific markets, both in terms of customers and the kinds of products it sells to them. But the business community appears anxious not to become, as one industrialist put it, merely the trading post from which Canada can "cock a snook at Uncle Sam."

If Canada feels too dependent on the U.S., British Columbia is beginning to feel too dependent on its raw material exports to its principal Asian partner, Japan

material exports to its principal Asian partner, Japan.

More than 80 per cent of BC's coal, copper and aluminium exports and between a quarter and a third of its forest products, asbestos and fish go to Pacific Rim markets. The port of Vancouver is also the principal conduit of grain, sulphur and potash from the other side of the Rockies, with an annual export traffic of nearly 50m tonnes.

Japan is by far the largest trans-Pacific customer, taking in 1981 some C\$3.4bn-worth of the C\$5.5bn of exports shipped from BC, of which over 80 per cent was BC produce. China bought C\$848m worth — mainly grain from the prairies — South

coal, copper and fisheries. There are four Japanese banks with branches in Vancouver.

The relationship began at a time when Japan was anxious to set up a politically secure supply line of raw materials: wood for housebuilding, coking coal for an expanding steel industry, and fish for its supermarkets.

Today, Japanese involvement in the local economy is pervasive but discreet. As one Japanese businessman said: "To be on the safe side you only do what you are asked to do. We have always kept a low profile — for example we prefer to provide loans rather than take an equity stake."

A desire to do the politically

\$50m offshore work won by UK contractors

By Christian Tyler

BRITISH OFFSHORE oil contractors have won about \$50m worth of business in the Norwegian sector of the North Sea with the help of a line of credit backed by the Export Credits Guarantee Department.

Credit of \$70.5m has been extended to Statoil and Norsk Hydro by Williams and Glyn's bank for part of a £2bn production platform in the Gullfaks field (block 34/10), one of the richest in the Norwegian sector.

Most of the business already won by British companies is for management and services, with the largest slice going to Foster Wheeler Petroleum Development. To qualify for the credit arrangement, which was formally signed in London yesterday, bidders must clinch contracts of at least \$40,000 by March 1986.

Block warns EEC that US will compete for food sales

CAIRO — A struggle for Third World food markets warmed up yesterday with the United States and Europe both signalling determination to push ahead with sales of subsidised farm produce.

Mr John Block, the U.S. Secretary of Agriculture, said the U.S. had an obligation to compete when it felt its established trade was being threatened.

He was speaking to reporters on the third day of a visit to Egypt during which he sought to drum up Egyptian interest in purchases of U.S. surplus farm products.

The visit coincided with a mission to Cairo by a European Community parliamentary delegation which included France's M Louis Eyraud, a member of the Community's Agricultural Committee.

M Eyraud said that Europe would seek to match any fresh American deals such as last January's sale to Egypt of 1m tonnes of subsidised wheat flour at \$25-\$30 a tonne below world prices.

"The Community will be in a position to offer the same conditions as those offered by the U.S. to Egypt," M Eyraud said. He added: "If the U.S. can dump, the Community can dump too."

stake," Mr Block told the Press after a meeting with President Hosni Mubarak.

The U.S. Agriculture Secretary said he did not expect an agricultural trade war. "But we have no alternative but to compete," he said.

Noting that the U.S. had failed to gain general agreement at Gatt on reduction of subsidised sales, Mr Block said Washington concluded that such sales had become a way of life.

Mr Block said he had failed so far to persuade the Egyptians to buy subsidised American dairy produce. "There has been an offer made but it has not been accepted by Egypt."

Earlier he announced that the U.S. had approved a \$50m "blended credit" for Egyptian purchases of U.S. corn and tobacco.

Japan's steel makers spend less

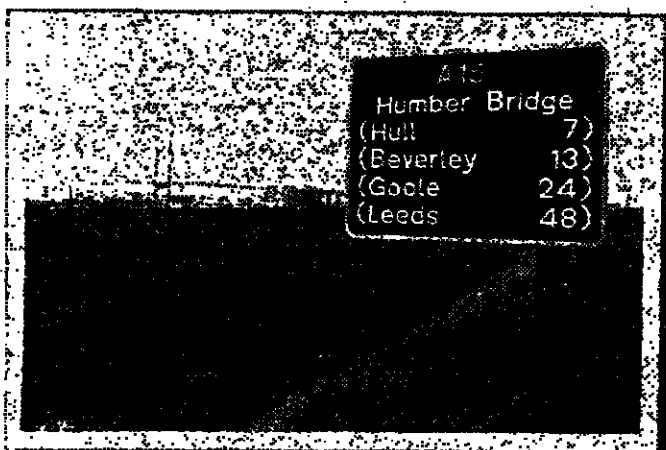
TOKYO — Combined capital outlays on plant and equipment by the six largest Japanese steel makers will fall 4.1 per cent in fiscal 1983, starting April 1, to about ¥538.5bn (about £2.4bn) from an estimated ¥574.6bn this year, steel industry sources said.

The six companies are Nippon Steel Corporation, Kawasaki Steel, Sumitomo Metal Industries, Kobe Steel, Nippon Kokan and Nishin Steel.

A-310s for Swissair

Airbus Industrie is shortly to deliver the first of the new Airbus A-310 aircraft for which part finance has been guaranteed by the Export Credits Guarantee Department, our World Trade Staff writes. ECGD has supported a \$33m loan to Swissair for the purchase of the first eight of these aircraft in a contract for 10. Finance for the UK portion of the contract is provided by Midland Bank plc and is led by Midland Bank and International Westminster Bank.

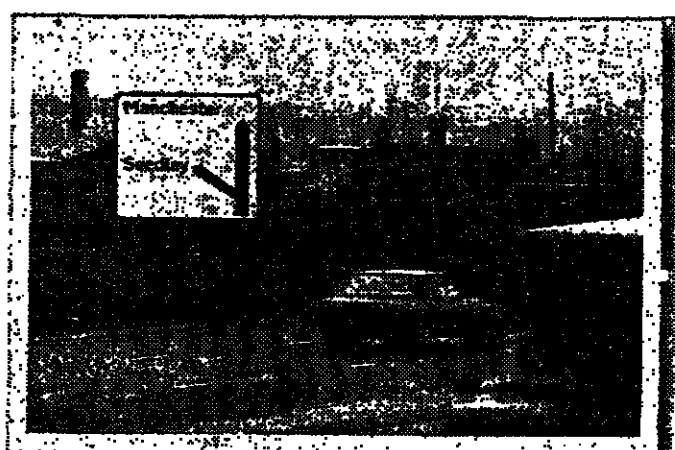
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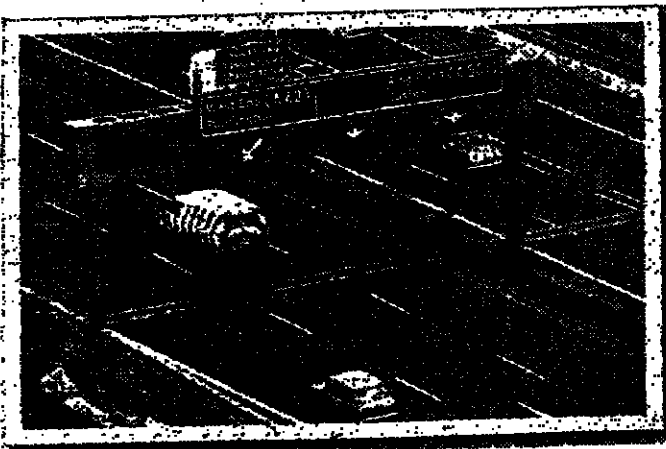
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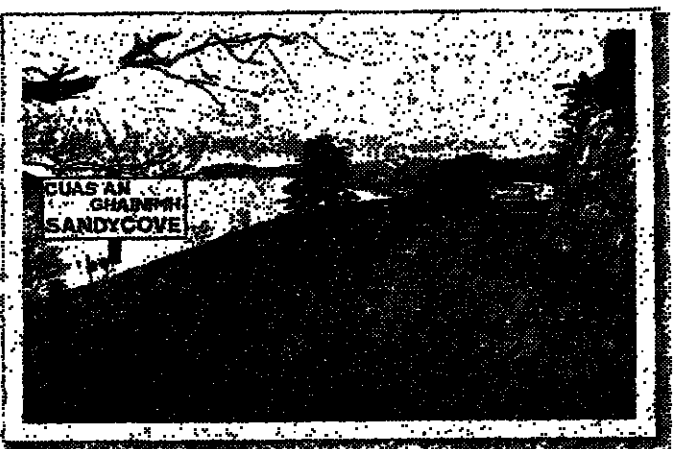
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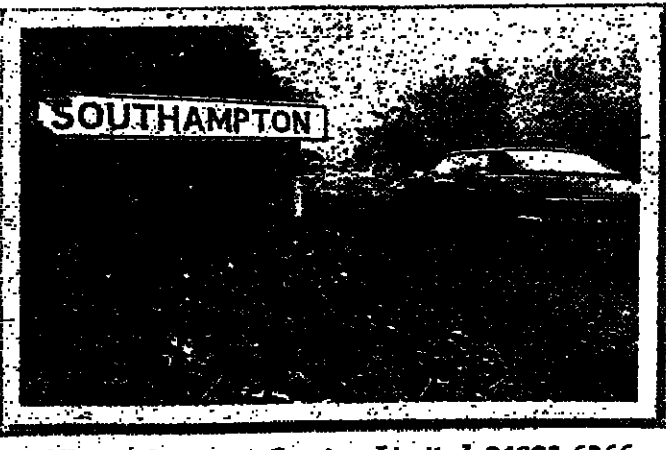
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UK NEWS

Plea for U.S. court to rule on Laker

By Raymond Hughes, Law Courts Correspondent

JUSTICE COULD not be done if the legal dispute over the collapse of Laker Airways were tried in the English rather than the U.S. courts, the High Court in London was told yesterday.

Laker would suffer "solid and substantial" disadvantages if forced to discontinue its \$1bn anti-trust action in the U.S. against British Airways and British Caledonian and sue the two airlines in England, said Mr David Johnson, QC.

He was opposing, on behalf of Laker liquidator Mr Christopher Morris, of Touche Ross, the application by BA and British Caledonian of a temporary injunction stopping Mr Morris proceeding with the U.S. action against them.

The liquidator alleges that the two airlines were party to a conspiracy to destroy Laker. Also sued are Pan American, Trans World, Lufthansa, Swissair, Sabena, KLM and two McDonnell Douglas companies.

The UK airlines, who face the prospect of having to pay triple damages if the U.S. case goes against them, have argued that if, which they do not accept, they are liable to be sued over Laker's collapse in February last year, the case should be litigated in England and nowhere else.

Mr Johnson told Mr Justice Parker that the U.S. action was proper and legitimate. It arose in respect of international business carried on both within and outside the U.S. by large English corporations over a period of years.

If Laker were stopped from proceeding against the UK airlines in the U.S. it would have foisted on it an English court action it did not want, and a cause of action - conspiracy under English law - that it had never raised.

An injunction would splinter the U.S. action. Laker would have either to continue its claim only against the non-UK defendants, or postpone the case for at least two years while the dispute went through the English courts.

There was no English legal authority or principle which would justify granting such an injunction, Mr Johnson argued.

The hearing continues today.

Union leaders accused over Maestro strike

BY ARTHUR SMITH

AUSTIN ROVER last night accused senior shop stewards of "distorting the issues" and provoking a strike which has halted assembly of the successful new Maestro model at Cowley, Oxford.

The management was last night urging the trade unions to recall a mass meeting of the 3,000 dayshift workers at the assembly plant. "If the issue had been put fairly and clearly, the strike would not have happened," the company said.

Workers backed their shop stewards' call for a walk out in protest at the company's plan to end the long-established practice of allowing workers time at the end of each day in which to wash and prepare to go home. It had become to be known as "washing up time."

Austin Rover is now insisting

that the assembly tracks continue to run to the end of each shift. For many years the lines have been stopped three minutes early to allow workers time to wash.

Union leaders were surprised at the almost unanimous vote to strike. But the management maintains that workers were misled because shop stewards had presented the issue as "an attack on basic trade union rights."

Mr David Buckley, Oxford district secretary of the Transport and General Workers' Union, said the vote was a protest at "the autocratic style" of management. "They are saying enough is enough. The workers have been pushed too far."

Austin Rover has pushed through dramatic changes in work practices and manning levels to raise produc-

tivity ahead of the launch of the vital new model. The company said there was no reason why Cowley should not fall into line with all the other factories.

A senior executive said removal of the washline on the day and night shifts would give an extra one hour's production a week.

Austin Rover said the stoppage came at a bad time. It had just enjoyed its "most successful launch of a new car."

● The strike at Ford's Halewood plant on Merseyside continued yesterday without any sign of a breakthrough despite the continuing readiness of the conciliation service, Acas, to intervene. The dispute has now cost production of 14,000 Escort cars valued at £70m.

Land Rover to lay off 6,500

BY OUR MIDLANDS CORRESPONDENT

LAND ROVER is laying off 6,500 workers for three days next week in response to a fall in demand from the oil countries of the Middle East.

The company last night described the move as "a temporary measure" in order to prevent a build-up of stocks. Oil producing countries were tending to cut or delay orders as they reviewed spending plans in the wake of the fall in oil prices.

All Land Rover factories, except the transmission plant in South Wales, will take all next week off, instead of the normal two-day Easter break. The 700 workers on Range Rover assembly will return to a four-day week, but that will be kept under continuous review, the company said.

Land Rover said it did not expect a long-term fall in orders. About 80 per cent of output is sold overseas,

and a new range of vehicles, "the One Ten", was unveiled this month at the Geneva motor show.

The new model is the most important product in the £200m expansion programme at Land Rover. The vehicle is already on sale in the UK and Switzerland and will be launched elsewhere in Europe over the next few months and in the Middle East later in the year.

Minister defends talks over Wyth Farm sale

BY KEVIN BROWN

MR NIGEL LAWSON, the Energy Secretary, admitted in the House of Commons yesterday that he had talks with some of the bidders for the onshore oilfield run by British Gas at Wyth Farm in Dorset.

Mr Lawson said British Gas was aware of his actions, and stressed that his intervention had been "even-handed." But Mr Ted Rowlands, a front-bench Labour energy spokesman, demanded a full Government statement detailing the negotiations.

He accused Mr Lawson of "directly interfering in the sale at the last minute to try to fend off another privatisation fiasco."

British Gas has been instructed

to sell the field by Mr Lawson, who has made clear his view that the corporation should have no part in oil production.

But bids have fallen well short of the corporation's valuation of £500m, double the Government's own valuation.

Mr Rowlands accused Mr Lawson of "trying to cajole bidders into presenting an acceptable bid."

Mr Lawson's revelation that talks had taken place was important because "time after time ministers have said it is nothing to do with the Government and everything to do with British Gas," he said.

Lloyd's chief quits board of brokers

By John Moore, City Correspondent

SIR PETER GREEN, chairman of Lloyd's, the London insurance market, is to resign from the board of Hogg Robinson Group, the insurance broker with extensive Lloyd's underwriting interests.

The move, announced yesterday, has come ahead of any negotiations which Hogg Robinson will have to enter into about the future sale of its Lloyd's underwriting agency company, Janson Green, which Sir Peter Green chairs.

Hogg Robinson said yesterday Sir Peter will step down from the board at the end of the group's financial year on March 31 "to avoid any conflict of interest over the future of Hogg Robinson's Lloyd's underwriting interests."

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Janson Green, which manages the affairs of hundreds of members of Lloyd's, is one of the agency companies affected by the new legislation.

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Mr Ian Hay Davison, Lloyd's chief executive, said yesterday: "I think Sir Peter has set a commendable example." Sir Peter maintains close links with the Hogg Robinson group. He is the largest private shareholder, owning more than 2.5 per cent of the group's equity.

He is also a director of Cresvale Securities, which carries out investments and provides services for Lloyd's syndicates, including those under the management of Janson Green.

Thorn EMI company sues over 'secrets'

By Jason Crisp

SYSTRON-DONNER, the California-based subsidiary of Thorn EMI of the UK, is suing a number of former employees for fraud, patent infringement and misappropriation of trade secrets.

Thorn Electrical Industries, now Thorn EMI, bought Syston-Donner, an electronics company specialising in test and measurement equipment and the aerospace industry, in 1979 for \$27m.

Syston-Donner alleges that its former chief executive and several other senior staff left the company immediately after it was bought, taking secrets which were used to set up product lines in a new company, Gigatronics.

The action which has been filed in the U.S. District Court in San Francisco is fairly typical of actions taken by high technology companies against former employees who leave and set up rival concerns.

Syston-Donner is accusing Gigatronics of unfair competition, trade libel and anti-trust violations. It also claims that a microwave frequency synthesiser sold by Gigatronics is based on one of Syston-Donner's own products.

Syston-Donner, which has 1,500 employees and an annual turnover of about \$80m, is seeking compensatory and punitive damages and an injunction to prevent Gigatronics continuing to sell the synthesiser.

Further bruising for pound as Howe rules out intervention

BY JEREMY STONE

AS THE POUND endured another tough day on the foreign exchange market yesterday, Sir Geoffrey Howe, the Chancellor of the Exchequer, repeated his view that intervention in defence of a particular level of the exchange rate would be "expensive and fruitless."

Responding to questions from a Treasury Select Committee, Sir Geoffrey said that intervention to hold a given exchange rate did not work, although the Government was prepared to intervene in order to check very sharp movements.

The Chancellor returned to previous statements about exchange rate policy when he said that, while the Government was not indifferent to changes in the level of sterling, it had "no objective."

He did not believe that this winter's fall in the external value of sterling could be attributed to any laxity in UK monetary policy. At a time of increasing volatility in the currency markets he thought it was necessary to concentrate on monetary and fiscal balance in the UK. This was "the surest guide in a not very sure world."

Sir Geoffrey endorsed President Mitterrand's remark that the "infernal machine" of inflation must be controlled, saying that the Government was more convinced than ever of the importance of monetary policy in working for this objective.

Tighter monetary conditions emerging in the U.S. sent the dollar



Howe: 'intervention does not work'

up sharply yesterday and sterling closed at its lowest ever position against the U.S. currency. It dropped almost a cent against its level on Friday to \$1.6540.

But the pound gained against the European currencies to close unchanged against the Bank of England's trade-weighted basket of currencies at 71.8 (1975=100).

What to do about sterling. Page 19

Government seeks buyers for eight Scottish airports

BY LYNTON McLAIN

THE GOVERNMENT is to attempt to sell to the private sector seven loss-making airports in the Scottish Highlands and Islands region and the profitable airport at Sumburgh in the Orkney Islands.

The seven airports are at Inverness, Islay, Kirkwall, Benbecula, Stornoway, Tiree and Wick. All the sites are owned and operated by the Civil Aviation Authority (CAA) apart from Stornoway which comes under the Ministry of Defence.

In a written answer in the House of Commons, Mr Iain Sproat, the Parliamentary Under-Secretary for Trade said he had asked the CAA to consider how they might be transferred to the private sector.

Sales of the airports to the local government councils "are not being contemplated," according to Mr John Dent, the chairman of the CAA in a statement yesterday.

The Trade Department also said that "the general idea is not for the British Airports Authority to take over the airports." The intention is to encourage other interested parties, such as the local authorities that use the runways, to consider taking over the sites, the DoT said.

The department described ownership of the airports by the Civil Aviation Authority as "an anomaly." The authority took over the airports on its formation under the Civil Aviation Act 1971. The sites were owned previously by the Trade Department.

Total income of the eight airports came to £8.8m in the last financial year 1981-82. Of this total, £7.8m income was attributed to the financially viable airport at Sumburgh in the Orkney Islands, which made an operating profit of £2m over the period. Much of the profit was attributable to oil-related aviation in the northern North Sea.

The income for the seven smaller airports of £1.5m for 1981-82 was insufficient to cover costs. The Scottish Office made a non-repayable grant of £3.6m to the CAA to run these "as a social service," and to cover all costs, the authority said last night.

Canned foods division of TKM sold for £1

BY CHARLES BATCHELOR

TOZER Kemsley & Millbourn (Holdings) (TKM), the troubled international trade and investment group, is to dispose of its loss-making canned foods division for £1 to the fast-growing private food company, Hillsdown Holdings. TKM will write off £12m on the sale.

In a three-cornered deal TKM will pay Imperial Foods, part of Imperial Group, £3m for its half stake TKM Foods and sell the entire company to Hillsdown.

TKM made a pre-tax loss of £3.7m last year on its share in the food operation. Net assets of the activities being sold are worth £8.8m. TKM will also assign £3m of loans made to the foods division to Hillsdown for a further £1.

TKM Foods was created in April 1981 by a merger of TKM's canning division, producing largely for own-brand labels, with Imperial's Smedley operations. Imperial had no management responsibility.

Hillsdown will acquire three canning plants employing nearly 1,200 people and with an annual turnover of nearly £50m.

"Obviously we need to get our feet under the table but I would hope to see a profit this year," Mr Harry Solomon, managing director and joint founder of Hillsdown, said.

Hillsdown, which was established in 1970 as a travel and security systems group, is now predominantly a food processor and distributor, making retained profits of £10m last year on turnover of nearly £450m.

An early rationalisation at TKM Foods will be necessary but this will not automatically lead to a long-term loss of jobs, Hillsdown said.

It pointed to its turnaround of Lockwoods Foods, which it bought from the receiver in 1981. Lockwoods made a profit of £1.5m last year on turnover of £23.5m. Profits are expected to rise this year on turnover projected at £30m.

A decline in the consumption of canned food and the price war between food retailers were blamed for TKM's problems.

Inquiry into chocolate import surge

By David Churchill, Consumer Affairs Correspondent

CHOCOLATE MANUFACTURERS have become worried about a surge in imports for both chocolate and sugar confectionery. An inquiry is being made by the industry's trade body.

Over the past two years imports of chocolate confectionery (where over half the product contains chocolate) have risen by a third - from 31,658 tonnes in 1980 to 42,297 tonnes last year.

In the same period, imports of sugar confectionery (where chocolate makes up less than half the product) rose by 28 per cent to 29,989 tonnes.

Although imports still only account for some 10 per cent of the total market even after these sharp increases, the manufacturers are concerned that if the trend continues it could hit UK production. Cadbury's, one of the largest UK producers, has already denied trade rumours that its market share has been hit by the surge in imports.

The industry's trade body, the Cocoa, Chocolate, and Confectionery Alliance, has decided to set up a special working party to investigate the rise in imports.

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Unions plan biggest jobs march

BY OUR LABOUR CORRESPONDENT

THE Trades Union Congress (TUC) yesterday launched a fresh campaign against unemployment which will culminate this summer in a new People's March for Jobs which union leaders claim will be the largest mass demonstration ever seen in Britain.

The official launch of the new jobs campaign yesterday marks a significant victory for those TUC-affiliated unions such as the transport and local government workers which refused to accept the original rejection of the idea by the TUC hierarchy.

Even so, the TUC is still maintaining some distance from the march. Funding of the demonstration will mainly come from an appeal, through which march organisers hope to raise about £250,000. Local authorities and other organisations will be asked to provide accommodation for those taking part in the march.

TUC leaders hope that the new campaign will emulate the success of the original People's March for

Jobs two years ago. The TUC then was at first reluctant to put its weight fully behind that, but gradually came to embrace it as the idea gained support.

Mr Ron Todd, national organiser of the Transport and General Workers' Union, and chairman of the march's organising committee, said yesterday that the first march was responsible for making unemployment a political issue.

He said the new march would focus fresh attention on the plight of the unemployed, and forecast that it would again capture the attention and imagination of the nation. The aim would be to remind the country that there were alternative policies to those of the Government which had created current unemployment levels.

Union leaders seized eagerly yesterday on the notion that the timing of the march - it is due to reach its goal in London in early June - might possibly coincide with a general election.

ICI chief gives staff message of gloom

THE CHAIRMAN of Imperial Chemical Industries, Mr John Harvey-Jones, has told staff in a frank statement: "We are not performing adequately."

He says in an interview in the latest issue of ICI Magazine: "ICI is, at the moment, rather starkly two separate companies."

The corporation contained a "robust" company which had consistently returned profits of more than £50m a year, but it also contained an "un-robust" company trading in the fibres, plastics and petrochemicals businesses. Although these problem sectors represented only 30 per cent of the group's activities their troubles had swamped any previously successful performance.

Mr Harvey-Jones's comments follow publication of ICI's latest results, showing that the group saw its 1982 pre-tax profit drop by 23 per cent from £335m to £255m. Mr Harvey-Jones described these results as "lousy."

New men at the top for brewery

THE CHAIRMAN and group managing director of Scottish and Newcastle Breweries, Mr Peter Ball, is to retire. He will be succeeded as group managing director by Mr Alick Rankin, and as chairman by Mr David Nicholson.

Mr Rankin, aged 48, becomes group managing director on May 1. At present he is one of the three divisional chairmen within the group, and is responsible for Scottish Breweries and Waverley Vineyards. Mr Nicholson, vice-chairman of William Collins and Sons, the UK publisher, becomes non-executive chairman on October 1. He is Scottish and Newcastle Breweries' non-executive deputy chairman at present.

Aid for all the small companies

ALL small companies - not just those in the industrial sector - will qualify for aid under the new Small Engineering Firms Investment scheme (SEFIS).

This was one of a number of significant detailed changes to the scheme disclosed yesterday following the Chancellor of the Exchequer's budget announcement that a total of £10m will be made available for the measure during the next three years.

EEC pub rule under attack

THE Brewster Society has attacked as hollow a proposed European Economic Community draft regulation giving public houses to specific brewers' products. The society argues that this move would weaken brewer-tenant relationships so that there would be fewer tenanted public houses, a rise in beer prices and a possible contraction in the variety of drinks offered.

A fifth draft of the regulation covering exclusive purchasing arrangements within the Community is currently under discussion.

House prices up by 9 per cent

HOUSE prices in the UK rose at an annual average rate of 9 per cent in the first quarter of this year, according to the Nationwide Building Society. This compares with an annual 2 per cent increase in the corresponding period last year, says the building society.

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"The first thing the committee appealed for was an Olivetti word processor."

Sir Hugh Casson, President of the Royal Academy.

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exhibitions found it invaluable for writing catalogues.

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Unerringly, the word processor lists

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Think of the address lists, the diary of who to remind and when, the recording of who's paid and what.

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From time to time when you read advertisements like this you may wonder if your company needs a word processor.

Would you ever get your money's worth out of it? Until we meet you and study your work flow (which we'd be happy to do) it's impossible for us to give an opinion.

If you have any doubts, however, our advice is wait. Don't invest immediately in a large capacity machine.

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The price of processing words.

Our range begins with two electronic typewriters the 121 and the 221 which can remember one and two lines and cost £5 and £7.50 a week respectively to lease.

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While the Royal Academy's ETS 1010 costs £30 a week.

Lastly, there's our ETS 1020, a centralised filing system which with, say four work stations and a 15,000 page memory, is around £145 a week for a five year contract.

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UK NEWS

Government may cut 'excessive' drug profits

BY GARETH GRIFFITHS

THE GOVERNMENT is considering using the purchasing power of the National Health Service (NHS) to cut what some ministers see as excessive profits made from the state by leading drug companies.

The National Health Service spends £1.1bn a year on drugs, and if the same profit formula used by the Defence Ministry was applied to the Department of Health and Social Security's own Pharmaceutical Price Regulation scheme, there could be a saving of £100m a year.

Drug prices for the NHS are agreed by setting overall target rates of return on the pharmaceutical companies' capital employed.

No final decision has yet been taken, but in the past year one major producer made a return of more than 35 per cent on capital employed on drugs supplied to the NHS. The average rate of return on capital employed by drug companies for their NHS drugs is 25 per cent, but companies are allowed returns of up to 35 per cent without any penalty clawbacks.

This compares with an average rate of return in British industry of between 4 and 5 per cent. Traditionally, pharmaceutical companies have been allowed such high returns because of the risks involved in developing new products, and the need to keep the UK as a major pharmaceutical producer.

A decision will not be taken until the Review Board for Government Contracts reports separately later in the year. The board sets the formula used for non-competitive government contracts, particularly those placed by the Defence Ministry.

The last report in 1980 set the overall target rate of return at 20 per cent. On risk work there should be an average rate of return on capital employed of 23 per cent, it said. On non-risk work the average return on capital employed should be 16 per cent.

A cut in NHS rates of return to those used at the Ministry of Defence would cut the NHS drugs bill by about £100m.

Pharmaceutical companies argue the rates of return allowed are less generous than at first appear because they are based on historic rather than current costs of capital employed.

The effect of a reduction in the Pharmaceutical Price Regulation Scheme (which sets the targets) could be exaggerated, Mr Robin Gilbert, pharmaceuticals analyst with stockbroker James Capel, argues. A reduction in the rate of return to 22 per cent in line with the returns allowed to government defence contractors would reduce profits, but not severely.

"Most UK companies earn only a relatively small proportion of their profits in the domestic market, and from the market share figures, could conceivably affect Glaxo by £8m, Beecham by £5m and Fisons by £2m. This would not be an intolerable cut in current levels of profitability, and some savings in respect of promotional costs might be seen which would reduce these figures," he said.

TUC CHIEF OUTLINES POLICY FOR PARTY'S PACT WITH UNIONS

Be realistic, Murray tells Labour

BY JOHN LLOYD, LABOUR EDITOR

THE PACT between the Labour Party and the trade unions, aimed at re-shaping Britain under a Labour government, must not create expectations which cannot be delivered, Mr Len Murray, the Trades Union Congress (TUC) general secretary, has warned.

Mr Murray also stressed his willingness to deal with any future government, even a Conservative one - provided the TUC was not expected to enter negotiations "on its knees".

In a wide-ranging interview with the Financial Times given as Labour and the TUC finalised their partnership agreement, which will form a major element in the party's campaign strategy, Mr Murray underlined his commitment to "extend collective bargaining through the agreement" while making clear his harshly realistic view of prospects.

He said: "One danger of which I am constantly in discussions in the Liaison Committee (which brings together party and TUC leaders) is the creation of expectations on both sides which can't be delivered. It does call for a considerable

measure of restraint on our side of what we demand if only because the party in opposition does tend to promise the sun and the moon."

"The cardinal sin in dealing with the government or an alternative government is to create expectations which can't be met - because that is the way to disillusionment."

Mr Murray emphasised that the unions' relationship with the Labour Party, though close, was a conditional one.

He said: "I want the TUC to be close to government or a potential government. Our ideological affinity with the Labour Party is bound to bring us quite close to it, but if we were faced with a Labour Party which clearly and consciously could not form a government in the foreseeable future, I for one would not be interested."

He said both Conservative and Labour governments often tried to appeal over the heads of union leaders directly to members, assuming they could judge trade unionists' views, better than their leaders.

"That puts the responsibility on

to us," he said. "We have to be careful to keep in touch with what our members are really thinking. You can get out of touch, as I accept the recent miners' ballot showed."

Mr Murray emphasised that the TUC must be ready to enter into talks with any future Conservative government. He said: "We would talk - if it were a Tory government more prepared to treat with the trade unions than this one is."

He was sceptical of the "new consensus" proposed by Mr Norman Tebbit, the Employment Secretary, for after the next general election.

"This can't be a consensus where one partner is on its knees supplicating for favour. If we walk in there to talk it would have to be in a serious way," he said.

"We would have to test them out. We have no option. We can't contract out of life. Our members would insist on us taking that position."

Mr Murray was fiercely critical of the Government's Green Paper (consultative document) on union democracy, saying the Government has no industrial relations policy.

only an anti-union attitude. The Green Paper showed simply that the Government has taken up an aggressive, rather than a problem-solving posture.

He said: "The Government's strategy throughout has been very clear and logical. Unemployment is allowed to grow to weaken unions' bargaining power, as it has to a considerable extent. Then once they allow some relaxation they see legislation as being the thing which moves into gear to keep the unions down."

He said the unions had safeguarded Britain's basic strength, keeping membership above the 50 per cent mark of the working population, though falling numerically as unemployment rose.

Mr Murray, now aged 60, admitted: "Retirement has crossed my mind but I'm not seriously considering it. I would if I felt my reflexes had become set in the past."

He said that when he did retire, "I would like to do something at grass roots community level, work that I could see helped individual people in a concrete way."

Unfair traders warned

By David Churchill, Consumer Affairs Correspondent

NEW LAWS to prevent traders from evading their legal responsibilities to consumers by using unfair disclaimers may be sought by the Office of Fair Trading (OFT).

Sir Gordon Borrie, director general of fair trading, said yesterday he was concerned at the number of traders still using unenforceable terms accepting no responsibility in their contracts.

He warned that if companies continued to flout the law he would consider "whether further action is called for, perhaps by the creation of fresh criminal offences."

Sir Gordon also said that he would use his powers to refuse traders a consumer credit licence if they tried to escape responsibilities to customers.

The OFT's concern arises from the number of complaints received about traders using void terms five years after the Unfair Contract Terms Act became law.

"I can only suppose that such traders are either unaware of the law or else deliberately try to mislead the public, hoping many will be deterred from seeking redress by phrases which appear to be a legally based denial of their rights," said Sir Gordon.

Examples during the past year include the wildlife parks which have tried to disclaim responsibility for negligence when visitors were injured by animals.

Examples also include car hire companies which say they will not accept responsibility for loss, damage or delay due to mechanical or other defects in their cars.

Consumers who think they have a claim against a trader in spite of a disclaimer notice should seek legal advice or contact their local trading standards department, the OFT advises.

Pharmacists have started a campaign to stem the trend towards buying medicines in supermarkets and making the public more aware of the services pharmacists offer.

The National Pharmaceutical Association (NPA) is spending £800,000 on the scheme, and yesterday it received encouragement from the Department of Health and Social Security, which believes pharmacists outside the hospital sector are not consulted enough by the public.

Britain's pharmacists have been worried for some time by the shift in proprietary medicine sales away from shops owned and run by pharmacists, or from those with strong pharmaceutical traditions such as the Boots chain.

The NPA represents some 9,600 pharmacists who own their own shops. It has secured agreement with the Co-operative-owned pharmacies and Boots to run a campaign for up to a year.

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publishing market leaders in business sectors as diverse as aviation and agriculture, catering and commercial transport.

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Metal Box set to replan its marketing

BY MAURICE SAMUELSON

METAL BOX, Britain's biggest packaging supplier, may restructure its organisation along "market-oriented" lines to improve relations with its customers.

The company, which has been badly hit by the recession and mounting competition, is at present organised along product lines, with separate divisions producing "open top" cans, general line metal containers, and paper and plastics packaging.

Mr Denis Allport, chairman and chief executive, said detailed consideration was being given to the creation of divisions geared to the major markets such as food and drink, and taking in the wide range of packaging available for these industries.

Metal Box's UK packaging sales are worth nearly £500m, about one sixth of the total UK packaging market. Although it has lost its near supremacy in the UK beer and beverage can market, it is still the dominant supplier of food cans and of general line metal containers, as well as a leader in plastics, flexible packaging and paper-based containers. It also owns Stetrad, the central heating systems group.

A spate of closures in the past three years has brought its UK workforce down to about 24,000, half what it was a decade ago. Its open-top and central heating divisions are on the mend, but low demand is still hitting its other operations.

Reorganisation along market-oriented lines has long been favoured by some of Metal Box's biggest customers in the food industry who have tended to complain about the group's inflexibility and lack of co-ordination between its sales and production arms.

However, it also reflects the unprecedented range of alternative packaging which has become available for the same products. This is particularly evident for beer and carbonated drinks, for which plastic is increasingly taking the place of cans or glass.

Metal Box is a leading producer of plastic PET (polyethylene terephthalate) soft drinks bottles. It has also pioneered PET for beer bottles and most leading UK breweries now use it.

No timetable has been set for the reorganisation which is likely to take place piecemeal rather than in a single overhaul.

Linotype-Paul sets up campaign to save jobs

FINANCIAL TIMES REPORTER

LINOTYPE-PAUL, the UK typesetting machinery manufacturer, has launched a campaign to find a buyer for the two Cheltenham plants which are to be closed this year. The company is switching production to West Germany making 500 workers redundant.

The London-based Inbucan Management Consultants have issued a brochure which outlines the qualities the workers have to offer to any potential employer.

Mr Michael Keen, chairman of the employees' consultative committee, which represents the workers who face redundancy, has given his full support to the campaign.

"We have obviously supported this idea of promoting our workforce and we believe this is the best course available. The brochure identifies the skills of the workers

and we must do our utmost to use these facilities to the full," he said. He emphasised that time was short because the jobs were already being phased out. The next group of workers will go in July, although the majority of the production staff will stay until later this year.

"If we are successful in our efforts to find a buyer we hope to persuade Linotype-Paul to review its redundancy programme so that we can keep the workforce together," Mr Keen said.

Mr Martin Boothman, managing director of Linotype-Paul, said a number of factors had prompted the company to set up the marketing campaign. "We believe we have a workforce which is well organised and with skills which are not limited to photo composition but also include electronics and optics capabilities. We are very optimistic that a buyer can be found."

Alfa cuts UK losses

BY KENNETH GOODING

ALFA ROMEO'S British subsidiary reduced its losses by 23 per cent, from £7.3m to £5.6m last year. The company, however, missed its car sales target in 1982 and as a result its losses were higher than the £3m forecast at this time last year.

Alfa's car sales in Britain, which in 1981 slumped from 10,219 to 8,030, last year rose 11 per cent to 8,928 but were well below the hoped for 10,000.

But Alfa's parent company maintains it has no intention of selling the subsidiary to an independent import organisation and that it will remain factory-owned.

Suggestions of a sale arose after Fiat's recent decision to hand over the import agency for its Lancia offshoot to the Heron group. Alfa expects to break even in Britain in 1984 and to make a small profit the following year.

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UK FURNITURE INDUSTRY

The long and painful lesson of the recession

By William Dawkins

"WE HAVE been through a bloodbath. The worst is over, but it's not going to be easy—at least for those of us left."

Grim but apt words from Mr. Leslie Gomme, chairman of the makers of G-Plan furniture, describing what many believe to be the end of the most prolonged recession ever to hit the British furniture industry. It is more vulnerable than most consumer industries to economic shocks because furniture comes low on individuals' spending priorities when times are hard. At the same time, electronic home entertainments have attracted an increasingly large share of disposable income. Many manufacturers' operational inefficiency, poor designs and weak marketing have left the industry in poor shape.

During the past three years, the British furniture industry's total turnover has declined nearly 30 per cent. The slide hit its worst point last June, when seasonally adjusted domestic furniture deliveries were more than 42 per cent below their 1979 level. However, deliveries have picked up since then.

Exports have stagnated at around £240m for the past two years and imports have surged from £283m in 1981 to £400m last year. Between 1981 and 1982, 743 British furniture manufacturing companies, of whom 1,200 people were made redundant in the year to April 1982 alone.

Exporters to Britain have made such an impact by identifying areas neglected by UK manufacturers and pursuing more aggressive marketing strategies.

Modest upturn from low base

In kitchen furniture particularly, West German companies like Rational and Siemens have made substantial inroads, concentrating on the top end of the market.

Bedroom furniture has been another vulnerable area. This time to cheaper products made in East Germany, although UK manufacturers have recently become more competitive.

Despite these pressures, the British industry still retains around 1,400 manufacturing companies—although many employ only a handful of people—which produce some £900m worth of domestic furniture annually.

The upturn has been modest, and from a very low base. According to the Department of Industry, manufacturers' deliveries of domestic furniture have risen from a monthly figure of £67.7m in January 1982 to £90.9m last January. Volume could increase 10 per cent this year against a 3 per cent decline in 1982, believes the Furniture Industry Research Association (FIRA). Even so, that would still be well below 1979 levels in real terms.

Much of the present revival is fuelled by cheaper mortgages which have encouraged an increase in housing starts, and greater activity in the second-hand market. Lower interest rates have also meant more consumer spending, by reducing the desirability of savings.

The key question is whether the recession has taught the industry how best to take advantage of the upturn. "The lesson we learned was not to go for big volume growth," says Mr Gomme. "We built up surplus capacity which we were slow to recognise and lost a lot of money in the past three years."

In its 1982 financial year, Gomme lost £3.3m before tax, against a £1.95m deficit in the previous year. The company has introduced a reorganisation plan at an estimated cost of £75,000, shed about 250 jobs and ended its former policy of selling furniture at an automatic discount.

Mr Gomme is now aiming for lower volume at higher margins. One of the reasons for this, he says, is that "when we had a very large order book, we

didn't have the time to innovate."

Following the change of policy, the company has added mahogany and elm to its lines, which previously concentrated on oak. "We have made our product range more interesting," says Mr Gomme.

At the same time, the company has stepped up advertising and is improving displays at its main outlets—Perkins, John Lewis and House of Fraser. "We want to ensure that our furniture is seen in its proper context by the public," he says.

Mr Gomme predicts that these reforms—which have already contributed to an improvement in orders—will at least return his company to profitability this year. On top of that, he adds: "There have been three years of reduced expenditure, which means a build-up in pent-up demand."

Mr Peter Raper, FIRA's marketing director, believes that the industry in general has been slow to learn one crucial lesson from its recession—the importance of marketing. This is highlighted by the fact that the furniture men hardly ever invite the public to their exhibitions. As a marketing man, I see that as the height of utter folly," he says.

However, he is greatly cheered by the fact that next November's International Furniture Show in Birmingham will be open to the public for the first time in many years. Mr Raper argues that the industry desperately needs the help of a government-sponsored marketing advisory service on similar lines to the one which exists to advise small businesses on manufacturing.

His criticism is echoed by some of the furniture manufacturers themselves. "Marketing in the furniture industry is extremely weak," agrees Mr Tom Clarke, chairman of Silentnight, which holds 27 per cent of the bedding market and is a major upholstery company.

At the heart of this lies poor management, he claims. "If there's an industry that thinks it can sell half a crown for two bob and make a profit, it's the furniture industry. Unless it learns to run its business better, it will never generate confidence in the City."

The problem is, he maintains, that too many companies have turned out high volumes of cheap and poor quality goods, rather than trying to produce a sacrifice market share in return for better margins.

Low spending on furniture in UK

"Instead of going out and making more attractive products at higher prices, they have done exactly the opposite. It's reached the stage where some companies are making little better than orange boxes," says Mr Clarke.

It seems clear there is plenty of scope for increased consumer spending on furniture. Sir Terence Conran, chairman of Habitat Mothercare, points out that British people spend less of their disposable income on furniture than practically all Europeans. At an average of £26.10 a head annually, they spend nearly two and a half times less than the West Germans, with the equivalent of £83.80. "It may cause you to wonder why Habitat isn't operating in West Germany," he jokes.

Habitat clearly cannot be criticised for poor design. Indeed, manufacturers might be better off if more retailers followed Sir Terence's forward-looking example, believes Mr Archie Arenson, chairman of the St Albans-based Arenson furniture and office equipment manufacturing company. He says the industry has failed to attract a greater share of consumer spending because many retailers have tended to be over-cautious in accepting or proposing new designs.

Retailers' conservatism has in turn made manufacturers unwilling to risk the cost of

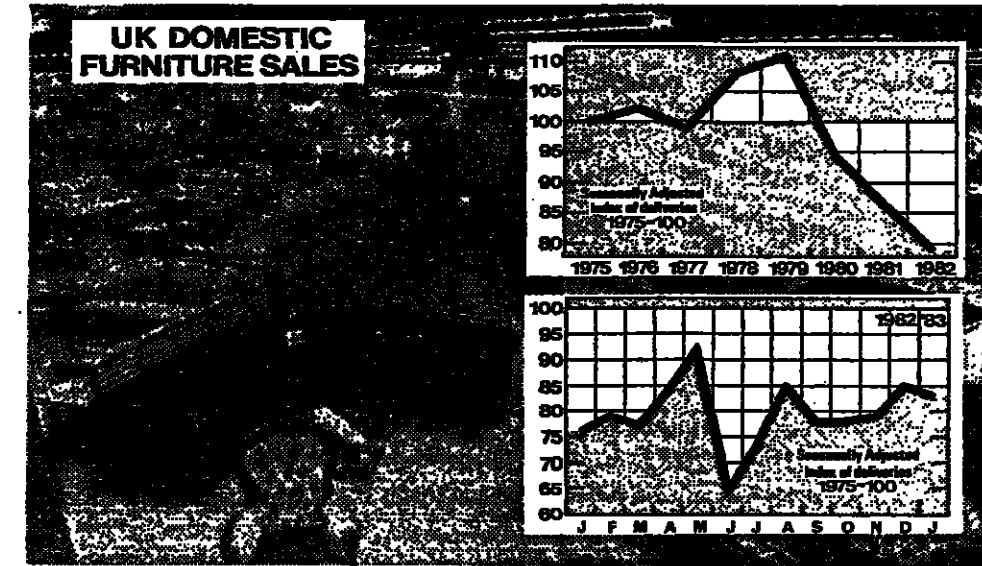
trying new products. "It's a chicken-and-egg situation," says Mr Arenson. "If the design was different, the retailers didn't want to know. It is a very stick-in-the-mud industry and it hasn't changed its spots in the past 35 years."

Although attitudes may not have changed very much—with some exceptions—the retailing side of the industry is beginning to take on a significant new shape. The traditional high street independent stores are showing signs of going the same way their counterparts in the grocery and DIY trades did in the 1970s.

They are coming under increasing pressure from mega-stores like MFI, out-of-town greenfield operations like George Pryce's Hayes exhibition centre and specialist shops selling fitted kitchens or bedrooms made by companies like Mobex.

According to FIRA, the independents' share of total furniture sales has declined from 25 per cent in 1977-78 to 20 per cent last year, while the mega-stores' share has risen from 19 per cent to 24 per cent.

Mr Arthur Southon, chairman of MFI, attributes the strength of his company, which recorded a 58 per cent increase in pre-tax profits to £11.28m at its last interim stage, to efficient service and a close relationship with suppliers. Price competi-



C. Walker

tiveness has enabled him to attract people who would otherwise never buy furniture. At the same time, MFI has been able to produce self assembly furniture of a quality which it claims is at least as good as the professionally made variety. The strength of retailers like MFI, which dominate a particular segment of the market,

means that it is difficult for both manufacturers and retailers to spread themselves over several areas. The most rational manufacturing companies, says Silentnight's Mr Clarke, have reacted by consolidating their hold on the area they know best, "rather than trying to be all things to all people."

The recent agreement by GEC and its troubled furniture subsidiary Schreiber to sever their links could be seen as an example of such a move. Another case in point is Christie-Tyler, which holds 20 per cent of the upholstery manufacturing market. Last year, the company closed its subsidiary, Associated Uphol-

stery, which operated at a cheaper end of the market than the rest of the group and lost £2.3m in 1981-82. Christie-Tyler operates across the whole spectrum, but does much better at the top end.

Mr Kevin O'Sullivan, the group finance director, says the company's stake in the bottom end of the market made what was essentially a concern centred on a higher end too sensitive to fluctuations in volume.

Habitat's continued concentration on the middle class market is a major key to its success—a pattern it is following with its recent takeover of Heals, which will give it access to slightly older customers in the same class.

Market changes apart, the whole of the furniture trade has been increasingly squeezed in recent months by the weakness of sterling, which has pushed up the cost of imported timber and textiles by as much as 30 per cent in some cases.

"We would like to buy in the UK," says Mr O'Sullivan. "But less textile companies are about because of the length of the recession. One also has to buy where the designs are right. Certain sorts of fabrics are just not available at the right prices in the UK."

Sir Terence agrees that prices are a problem for British manufacturers. Most of his pro-

ducts are designed in Britain, however, and he finds UK manufacturers competitive on prices for veneered chipboard, upholstery and cabinet work. But when it comes to solid timber furniture, the British cannot compete with the Eastern bloc on prices.

"UK manufacturers are perfectly capable of producing quality products. The point is that product costs do not matter in Communist countries," says Sir Terence. According to FIRA, the Eastern bloc accounts for 9 per cent of the value of British furniture imports.

One area of the industry—albeit a minor one—is growing vigorously. Systems furniture, designed to complement and accompany computer hardware in offices, has shot from zero turnover three years ago to £35m in 1982. A growing number of manufacturers like Arenson, previously devoted to the conventional furniture market, are making inroads into this new field and challenging established concerns like Vickers Furniture, a subsidiary of the engineering company.

But for the industry as a whole, says Silentnight's Mr Clarke, a better standard of professional management is the key. "The problem is that more managers are interested in making bedding or upholstery than making money."



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THE MANAGEMENT PAGE: Small Business

EDITED BY CHRISTOPHER LORENZ

Why sick pay complexities should concentrate the mind

BY TIM DICKSON

ON APRIL 6, legislation comes into effect which changes the whole basis on which sick pay will be paid in the UK. Despite the approaching deadline, however, there is strong evidence that a great many companies still do not appreciate that all employers then become responsible for paying employees during their first eight weeks of sickness in any one tax year.

Indeed, any company still unaware of its obligations under the new Statutory Sick Pay (SSP) rules will find that it should already have been keeping records of sickness to ensure proper compliance with the law.

In many respects, small businesses will welcome the change. Among reasons given by the Government for shifting the administrative burden from the Department of Health and Social Security to employers, for example, is the likely removal of around 3,000 civil servants.

Duplication of effort by business and the state will also be reduced, an estimated \$90m of public money will be saved and, most significantly, the vast majority of sickness payments will, for the first time, be taxed and subject to National Insurance contributions.

The point here is that because the current state sickness benefit is paid free of tax, employees who continue to receive full pay can be better off ill than at work.

Although this anomaly will disappear—presumably reducing absenteeism—the initial SSP are still sending shivers down the spines of even the most experienced and hitherto unschooled employers. About 90 per cent of employees are covered by some sort of occupational sick pay scheme, but the nightmare will be co-ordinating these with the new state arrangements.

The rules contain numerous exceptions and qualifying conditions, extensive and detailed records have to be kept to show to DSS inspectors, and substantial fines and penalties can be imposed for failure to comply. Inevitably small businesses with limited management time and resources have been struggling to come to grips with the new requirements.

In a nutshell the new scheme means employers have to calculate the sick pay due to their employees when they are ill. Payments, which should be made with the normal weekly or monthly wage, are then recovered from the Government.

ment by knocking them off the monthly cheque sent to the Inland Revenue in respect of National Insurance contributions and PAYE monies.

Would that it were as simple as this. The Employers' Guide to Statutory Sick Pay (NI 297—available from any DHSS office) runs to 39 pages but the following is a summary of the main steps and the biggest problem areas.

The first thing to sort out is what is meant by "qualifying days". These are days for which SSP is payable and they generally correspond to days worked under contract or days which reflect the employee's normal working pattern. Employees and employers have to come to an agreement themselves. Thus while Monday to Friday will presumably be the most common "qualifying days" for most full-time staff, weekends may have to be taken into account for, say, security men or shift workers.

SSP, however, is not paid out on every "qualifying day". The amount of entitlement is based on an employee's "Period of Incapacity for Work" (PIW)—broadly any period of four or more consecutive days of illness—and the number of

"qualifying days" within that PIW. No SSP is paid for the first three "qualifying days" (known as the waiting days) but thereafter it will be due in 1983-84 at the rates shown in the table.

Any periods of illness, meanwhile, separated by less than 14 days form part of a "linking period" and are treated as one. Thus if an employee who qualifies for SSP is sick from Monday to Friday one week, returns to the office after the weekend but in his excitement breaks his leg the following Thursday the three day "waiting period" does not have to be repeated.

Given the complexity of the rules just outlined it is vital that employers maintain valid records. Records indeed should have been started on February 8 because information on staff sickness is needed eight weeks before April 6. Employees continue to receive traditional social security benefit beyond the official start-up of SSP until a clear eight-week period has elapsed since the last bout of illness. Effectively this will apply to anyone who is sick between February 8 and April 5.

Records will have to show the following for each employee:

- is in legal custody;
- has already received 8 weeks' SSP from you within the last tax year.

If your employee is sick and falls into one of these categories you must explain why you are not paying SSP and give him or her form SSP1(E) within seven days. See or see how many days of traditional sickness benefit.

*Taken from "A guide to statutory sick pay", published by the Industrial Society, 5 Carfax House, Terrace, London, SW1. Price £3.50. Two other books with the same title—"Statutory Sick Pay, a practical guide"—are published by Duncanson Publishing of 21-27 Lambeth Road, London, W8. Prices £8.80 and £2.95 respectively. In addition, Wilson's, 4 Southampton Place, London, WC1. Price £5 inc p and p.



"Show me where it says I have to pay you sick pay because you fell down the doctor's steps after collecting a sick note..."

the period of incapacity for work; qualifying days agreed; gross amounts paid out in SSP; and reasons for withholding SSP. All this information has to be kept for three years after the end of the tax year to which it relates.

One of the most important steps for employers is to establish their own rules for notification of absence. It should be made clear who to contact and how—by telephone or in writing, or both. No particular time can be specified but if notification is not made on the first "qualifying day" employees are entitled to withhold SSP for the number of qualifying days it was late. SSP, however, may only be withheld if there is no "good cause" for the delay. No definition is provided in the regulations but an employee living alone without a telephone would obviously have a strong case.

Employers are allowed to ask for evidence of incapacity—for between four and seven days the employee can sign his or her own certificate (known as self-certification and introduced last June) but after seven days a doctor's note is required. According to the Industrial Society, which since December has handled roughly 230 enquiries on SSP, one of the major areas of concern has been holidays. In theory employees could come back from two cold weeks in Halkidiki, claim that they had been ill and seek SSP for qualifying days and then demand another break later in the year. Gail Cookson of the Industrial

Widening demand for small firms service

AN IDEA of who uses the Department of Industry's Small Firms Service—and why—is provided for the first time in a new set of management statistics.

These show that throughout Britain last September the Service received an average of almost 4,000 enquiries a week—with more than 3,400 coming in weekly during the traditionally quieter month of December. They cover, it should be stressed, only the information and guidance activities of the 13 regional offices of the DOI Small Firms Service in England and the advisory services run by the Scottish and Welsh Development Agencies. The counselling service—under which retired businessmen offer more detailed advice on management, marketing and finance—is not included.

Broadly speaking the message is that while start-up problems are the most common, existing businesses are slowly turning to the service. This is a trend the DOI wants to encourage. Taking September as an example, the figures show that

by far the majority of queries (82 per cent) are received by telephone, and come from people who call in person (the Manchester location, for example, is particularly central); while the rest write.

The companies seeking help are mostly in the service sector (48 per cent), followed by retail (16 per cent), manufacturing (15 per cent) and construction (3 per cent). The rest were those thinking of starting a business but whose plans were not fully developed.

Clients were also labelled by size with the vast majority either start-ups or one or two person businesses. Eight per cent had between three and ten employees, three per cent between 11 and 25, and 1 per cent between 26 and 100.

Apart from "start-up" queries, the preoccupation of businesses was finance, "Publications", "management" and "employment" are listed as the next most important categories, and "expansion", "technical" and "exporting" scoring low marks.

In brief...

ALTHOUGH the five point economic initiative for Northern Ireland announced last week is primarily designed to tempt more big companies to set up or expand in the Province, the 100 per cent de-rating of industrial premises is a significant boost for all manufacturing firms there. The proposed new advisory service on production methods and processes, moreover, will be open to companies regardless of size. Small business support in Northern Ireland is directed through the Local Enterprise Development Unit. Tel: 0232-671631.

THE Sixth annual National Small Firms Policy and Research Conference will be held at Durham University from Thursday, September 1 to Saturday, September 3. Papers have already been commissioned from leading policy institutions while applicants wishing to offer work must send a synopsis by April 22. The conference fee is £120, though bursaries of £40 are available in some cases. Details from Mrs Joan Storey, Durham University

Business School, MUH Hill Lane, Durham, DH1 1LE. Tel: 0335-41918. Ext 57.

DETAILS of small firm measures, technical advice, information services, and official support for innovation are all listed in a new Government guide called "Industrial Support". Published twice a year, the first issue is available free from "British Business" at Prospect House, SW1P 4BR. Tel: 01-211 5974.

THE 100th anniversary agency to be set up in the UK—the Darlington and South West Durham Business Venture—was recently opened by John MacGregor, the Industry Minister, with responsibility for small firms. An up-to-date list of agencies—which typically handle small business queries and are backed by large or local companies and local councils—has just been published by Business in the Community. Available free from 91 Waterloo Road, London SE1 8XP. Tel: 01-423 6423.

T. D.

Key points for employers

Weekly rates

THERE are three weekly rates, fixed according to the employee's normal weekly earnings:

£27.20 SSP for those earning between £22.50-£48.49;
£33.75 SSP for those earning between £48.50-£64.99; £40.25 SSP for those earning £65 or more.

Checklist for action*

Review all rules of occupational sick pay scheme.
Consider the rules of company scheme and rules for SSP.
Identify any changes that

will have to be made to bring the two into line.

Review existing records, control procedures, etc.
Ensure that all existing administrative and payroll arrangements can cope with SSP.

Draw up rules for getting 'evidence of incapacity', eg self-certificates, medical statements etc.
Give information on SSP and State benefit entitlement available after April 1983 to all employees.

Make all necessary changes to written particulars, company handbooks etc and consider including SSP payments.
Inform all staff about new SSP rules and arrangements through team briefing and normal communication channels.

Those excluded under the rules

Certain groups of employees are excluded from the SSP system. These include any employee who:

- is over 60 (woman) or 65 (man);
- is under a contract of less than three months;
- earns less than £32.50 a week;
- has within the last 57 days received sickness benefit, invalidity pension or maternity allowance;
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- is more than 26 weeks pregnant or who has given birth within the last six weeks;
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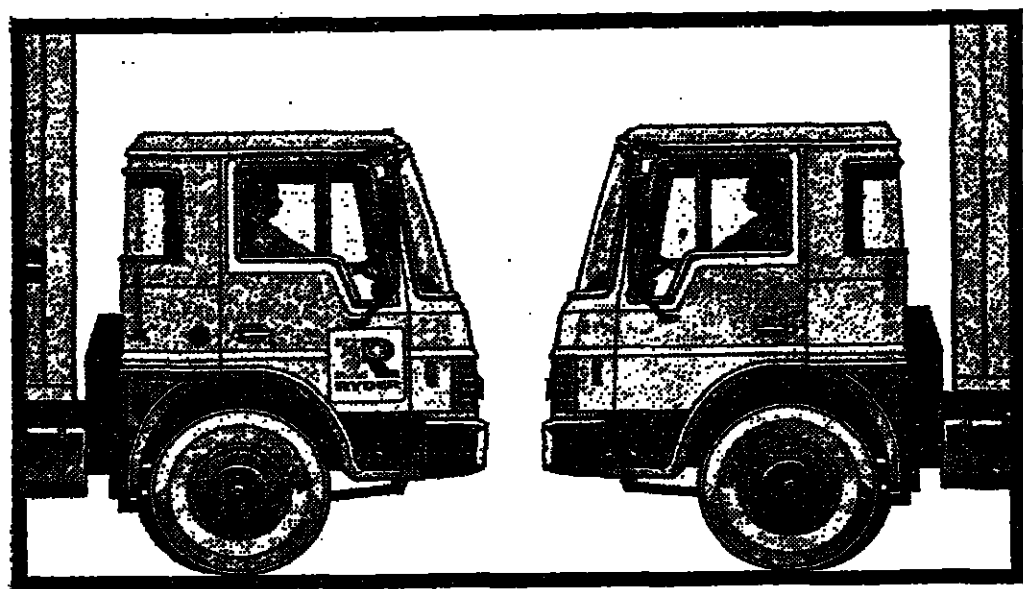
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APPOINTMENTS

New chairman for Ward and Goldstone

Mr Sampson Goldstone is retiring from the board of WARD AND GOLDSTONE on March 31 and becoming life president of the company. Mr J. Peter Frost joins the board as a non-executive director and is elected chairman from April 1. He was chairman and managing director of Thos. W. Ward. Mr Michael E. Goldstone continues as managing director and chief executive.

TYZACK AND PARTNERS has appointed Mr Nigel Humphreys to the board as managing director from April 1. Mr Humphreys, who joined the company in 1977, is also a director of Tyzack and Partners (Far East).

ROHM AND HAAS (UK) has appointed Mr R. S. Lockey to its board of directors from March 31. Mr Lockey became general sales manager for industrial chemicals and plastics in 1982.

Mr Trevor Allen, managing director, Ebley Tyre Services of Stroud, Gloucestershire, has been elected president of the NATIONAL TYRE DISTRIBUTORS ASSOCIATION.

ALLSTATE INSURANCE CO has appointed Mr A. B. Fisher,

an assistant general manager, to group investment manager, including investment responsibilities for Allstate Reinsurance; Mr D. Marran, to assistant general manager (systems); Mr P. Craven, to assistant general manager (underwriting and claims); and Mr G. J. Barratt, south east regional manager, to assistant general manager.

ROBERT MOSS has appointed Mr John D. Newman group financial director. He joins from Dorada Holdings where he was group financial director and company secretary, as well as being a director of Dorada's three operating divisions.

Mr Grahame Young has been appointed chairman of the BOTB's South East Asia Trade Advisory Group (SEATAG). Mr Young, a merchant banker and advisor to Williams and Glyn's Bank, will succeed Mr Guy Chaboketa on May 26. The appointment will be for three years.

Mr R. J. Clemmow has been appointed director of rock drilling products at GARDNER-DENVER (ROCK DRILL COMPONENTS) and PADLEY AND VENABLES, based in Sheffield.

Mr Clemmow re-joins these subsidiaries after a period as director of development for the parent group based in Dallas, Texas.

Mr Jim Fallon, MK Electric's director-external relations, has been re-elected to the board of the NATIONAL HOME IMPROVEMENT COUNCIL.

Dr A. R. Worthington has been appointed medical director of the BUPA MEDICAL CENTRES. He succeeds Dr R. Berle Wright who, retiring June 30, will remain as non-executive chairman. Dr Worthington joins Bupa from the Royal Army Medical Corps.

Mr Ted Tulliday, recently responsible for all technical areas of Hitachi Sales UK, is joining the board of MASTER-CARE as technical director.

Mr G. John Forrest has been appointed to the board of CONSOLIDATED SAFEGUARDS as finance director. Mr Forrest was a senior partner of a City firm of accountants.

VALIN POLLEN has appointed Mr Neil Hedges and Mr Howard Lee associate directors from April 1.

Mr David J. Duncan has been appointed director of MPA HOLDINGS from April 1. He joined MPA in 1966, leaving in 1968 to join the World Bank in Washington. He stayed there until 1972 when he rejoined

MPA, where he is a specialist in pension fund investment.

COUNCIL OF ENGINEERING INSTITUTIONS has elected Dr Wilfred Eastwood as its chairman and Air Marshal Sir Reginald Harland as vice-chairman for 1983-84. Dr W. Eastwood will be entrusted with the task of supervising an orderly transfer of CEI's responsibilities to the Engineering Council.

Mr Tom Goddard, managing director of the company's Irish poster company, has been made managing director of ARTHUR MAIDEN.

Mr James C. Heron has been appointed a director of the CARROLL GROUP'S property division. He was a director of Camp Properties (UK).

Mr Brian Manley, managing director of MEL and managing director of the Philips Business Systems Group, has been appointed to the board of PHILIPS ELECTRONICS AND ASSOCIATED INDUSTRIES from May 1. In addition to his direct responsibility for MEL and Philips Business Systems, he will assume board responsibility for Pyle Telecommunications and the Philips Research Laboratories at Redhill.

Mr R. D. Gee has been elected chairman of the LONDON GOLD FUTURES MARKET from April 1. Mr Robert Beale has been elected vice chairman.

CONTRACTS

£2.4m Somerset road scheme

A £2.4m road scheme near Yeovil has been awarded to Trafalgar House Group company CEMENTATION CONSTRUCTION by Somerset County Council. The new 6 kilometre road running from Yeovil to the A303 trunk road at Cartgate will follow the course of a disused railway line, running from Yeovil to Dorchester, and was closed by British Rail in 1964. Although only one broad-gauge track was laid, the route was originally intended for two broad-gauge tracks, forming an ideal width for a 24 ft wide carriageway. Cuttings and embankments will remain virtually undisturbed. A feature will be the preservation of two existing arch bridges carrying highways over the new road. Work starts at the beginning of May, for completion in 15 months.

FARREL BRIDGE, Rochdale, part of the Embart Corp machinery group, has signed a contract with a Bulgarian import agency for a £1.6m 2,000 tonne aluminium press line, complete with all handling equipment. Included are die ovens, handling equip-

ment, a billet heater and machine tools for the die shop. The equipment will be fully operational by the end of 1984.

STAR OFFSHORE SERVICES, Aberdeen, has been awarded an air diving vessel contract by Shell UK Exploration.

ALFA-LAVAL has won an order worth about £600,000 for three A30 plate heat exchangers in titanium (with Niktrix gaskets), for cooling duties on the gas compression train on Elf Oil's platform in Heidal gas field. Each plate heat exchanger is designed for 50 per cent duty and the system is being installed so that two will be operating with the third available as a stand-by.

TURRIFF CONSTRUCTION has recently won contracts totalling nearly £2m. The largest, worth £998,500, has been awarded by Bromsgrove District Council for the construction of 23 people's flats with communal facilities and 18 bungalows at

Charford, Bromsgrove, Harlepool Borough Council has awarded a £710,000 contract for the modernisation of 74 homes at Seaton Lane, Harlepool, Cleveland, under a contract worth over £55,000. Turriff will convert flats at Kingshurst, Solihull, for the Metropolitan Borough of Solihull. The revitalisation of five homes at Grangeview, Middlesbrough, Cleveland for Bradford and Newby Housing Association, is valued at £82,000. Replacement windows are to be fitted in 186 homes at Duns Bank for Dudley Metropolitan Borough, for about £50,000. Lastly, East Staffordshire District Council has awarded a contract for the conversion of a house in Rangemore Street, Burton-on-Trent, to a registrar's office. The contract value is about £26,000.

VERCON INTERNATIONAL is starting deliveries of suspended ceiling materials to Construction Reconstruction, general contractor for Barclays International

Bank in Cairo. The total contract value for supply and installation is about £200,000 and Catercode, in joint venture with Vercon International, is carrying out the installation. The management contractor is Costain International.

Kuwait National Petroleum Company has selected FLUOR GREAT BRITAIN, Manchester division, to provide engineering and procurement services for a £22m storage tank rearrangement project at Shuaiba Refinery. Fluor will also provide assistance in construction supervision. The project includes construction of naphtha storage tankage with a total 800,000 barrel capacity and conversion of other cone roof tanks to floating roof service. The project includes piping rearrangement, additional pumping facilities and tank fire protection systems.

GUNSON'S SORTEK of Bow, Essex, has contracts from Hungary and Austria totalling over £100,000. The machines for Austria include electronic colour sorters for producers of roasted coffee and also for a plant handling frozen fruit and vegetables. The Hungarian contract is for sorters to handle dehydrated onion slices and other dehydrated vegetables.

BUSINESSES FOR SALE

SOFT DRINKS MANUFACTURER

Tingley, Wakefield, Yorkshire

The business and assets of Gomersall Magpie Minerals Limited are available for sale as a going concern. Principal features: turnover approximately £500,000 per annum, long established business with continuing contracts, 20,000 sq. ft. production and warehousing space on freehold property close to M62. Approximately 30 employees.

Further information can be obtained from the Receiver and Manager:
A. J. Robinson
Peat, Marwick, Mitchell & Co.
Airedale House, Albion Street
Leeds LS1 5TY
Telephone: Leeds 450331
Telex: 057794

AGRICULTURAL MACHINERY

Crompton Engineering—Bodmin, Cornwall

Manufacturers of slurry handling machinery, agricultural machinery and steel fabrications. The modern 4,000 sq. ft. factory stands in 0.6 acre freehold land on an industrial estate adjacent to the A30 and A38 trunk roads.

Apply for further details to:
R. J. Harris, Receiver & Manager
Peat, Marwick, Mitchell & Co.
Phoenix House, Notts Street
Plymouth

FABRIC KNITTING & PRINTING

Assets for sale—Leicester area

Modern factory/offices - 99-year ground lease. Area 8,750 sq. ft. Eight nearly new 30 inch, 28 and 32 gauge circular knitting machines, heat transfer printing machine, inspection machine etc. Fabric and paper.

Please contact:
T. L. Aspell
Peat, Marwick, Mitchell & Co.
21 The Crescent, King Street
Leicester
Telephone: 0533 547272

Peat, Marwick, Mitchell & Co.

BUSINESS FOR SALE BY RECEIVER BOTTOMS UP LIMITED (CHAIN OF OFF-LICENCES)

A well-known chain of supermarkets engaged in the retailing of wines and spirits. Well-situated licensed retail outlets at:
LONDON: Old Brompton Road, Fulham Road, Waterloo, Notting Hill Gate, Greenwich, Maidstone, Vale and Swiss Cottage (with licence for a wine bar).
Reading, West Byfleet, Cardiff, Sunningdale, Teddington, Brentford, Twickenham, Andover, Winchester, Southampton, Portsmouth, Croydon (includes offices and warehouse), Reigate, Ashford and Romford.

Contact the Receiver:
P. W. G. DUBUISSON

Binder Hamlyn, 8 St. Bride Street, London EC4A 4DA.
Telephone: 01-353 3020

Due to illness of Managing Director sale of well established and rapidly expanding PLASTIC BLOWMOLDING COMPANY

SOUTH EAST
• Exceptional prospects - T/O: £0.5 million in 1982.
• High Return - Gross profit 41%, net profit 15%.
• Net Asset Value - £122k.
• Long lease on Factory, 19,000 sq ft of £1 per sq ft and £5,000 income from part sub-let.
• Genuine reason for sale, owner prepared to continue for take-over period.
Our misfortune can be your gain. Offers over £27k.
Principals only please reply to Box G8832, Financial Times 10 Cannon Street, EC4A 4BY

MANUFACTURER whose products include items of gardening equipment

is considering the outright sale of this division. Its products have been established over very many years with a brand and reputation well-known to the trade and the gardening public. The goodwill obtained could be available to an organisation with a product range and marketing expertise appropriate to large volume DIY/gardening outlets and mail order business. Ample stock, spares and accessories available. For an exploratory discussion without commitment, contact Box G8830, Financial Times 10 Cannon Street, EC4A 4BY

SNOB

Receiver seeks offers for the business and assets of SNOB, the nationwide ladies fashion boutique chain. This major business has 29 branches operating from leasehold premises in prime high street locations throughout England, Scotland and Wales. 1982 turnover was £8 million.

For further information, please contact the Receiver:

MAURICE C. WITHALL
THORNTON BAKER
Fairfax House, Finsbury Place
London WC1V 6DW
Telephone: 01-405 8422 - Telex: 28584

FOR SALE Engineering Business based in Carnoustie

which specialises in the design and manufacture of high integrity cranes for specialised duties. Also manufactures stone working machinery and diamond impregnated blades. Freehold property with open ground. Full range of engineering plant and equipment available. Turnover in excess of £1 million per annum. Current workforce 80. For particulars of sale apply to: Mrs I Anderson (Tel. 031-557 2111)

Deloitte
Haskins & Sells

29 Abercromby Place, Edinburgh EH3 6UE

FOR SALE £100,000 AS GOING CONCERN SHOTBLASTING, LINING AND PAINTING COMPANY

Fully equipped on a 1.17 acre Freehold Site, situated Widnes, Cheshire. Turnover in excess of £250,000. Current Order Value £200,000. Asset Value including Site approximately £200,000. Write Box G8823, Financial Times 10 Cannon Street, EC4A 4BY

IRONMONGERY BUSINESS FOR SALE IN WEST MIDLANDS

Shop Premises, Goodwill & Fixtures plus Detached Banglow. Offers over £80,000 plus Stock at Valuation. Write Box G8831, Financial Times 10 Cannon Street, EC4A 4BY

Transport Business GREATER MANCHESTER AREA

Good Premises on Long Lease. Turnover £180,000 p.a. Business throughout U.K. Ten Vehicle Fleet. Established 10 Years. Goodwill, Vehicles and Fixtures £100,000. Tel: 061-665 3451

FOR SALE PROPERTY COMPANY WITH TAX LOSSES

of approximately £350,000. Depending on mode of purchase Tax losses could be materially increased. Write Box G8826, Financial Times 10 Cannon Street, EC4A 4BY

MOTOR COMPONENT MANUFACTURER (M.A.L. Components Limited in receivership)

Business and assets for sale

- ★ The company manufactures manual rack and pinion steering racks.
- ★ The company also recaps all types of steering racks (manual and power).
- ★ The business is operated from freehold and leasehold premises in Wolverhampton.
- ★ The company has full safety approval as original equipment suppliers to major motor manufacturers.
- ★ There are approximately 40 employees.
- ★ There is a substantial order book.

(So as to preserve the substantial order book and customer goodwill, interested parties are requested to make immediate contact to progress negotiations towards a speedy conclusion.)

Peat, Marwick, Mitchell & Co.

MINNS Music CRANES Music

The businesses and assets of these well-known companies, established in 1912 and 1950 respectively are for sale.

- ★ Largest piano and organ retailers in Europe
- ★ Seventeen High Street retail shops throughout the United Kingdom, plus warehouse.

Peat, Marwick, Mitchell & Co.

TRAVEL AGENCY FOR SALE

£450,000

Well known travel agency with shop front in smart area of London. Member IATA, ABTA, ATOL. Turnover, mostly airlines, £3 million, currently netting c.a. £100,000. The business has high standing in the trade, with clients home and abroad. Easy to run showing constant figures for 8 years. Purchaser may continue without change or expand easily. Ideal to enlarge a group's buying power to qualify for increase in base line commission earnings. Enquiries from principals only in strict confidence, clearly stating identity.

Write Box G8813, Financial Times 10 Cannon Street, London EC4A 4BY

HOTEL

Situated in 1 Acre Pleasant Surroundings FOR SALE PRIVATELY. 35 Bedrooms, 14 newly built, remainder completely refurbished in 1980, all with bathrooms en suite. Complete facilities for 120 and 40 people. Bar and Restaurant, ample Car Park. Planning permission for Health/Spa Centre. 15 minutes train to Victoria. OFFERS OVER £700,000. No Agents. Write Box G8833, Financial Times 10 Cannon Street, EC4A 4BY

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Exclusive Hotel/Restaurant Business for sale. Situated close to Gulf Coast. Newly refurbished with all luxurious amenities, incl. swimming pool. Freehold £2m (£1m cash and £1m mortgage available). Reply to: Box F3223, Financial Times 10 Cannon Street, EC4A 4BY

TORQUAY HOLIDAY COMPLEX

Fully Licensed Free House, Restaurant. Situated in Torquay. Fully equipped 12/23 bedrooms, 1/23 bathrooms, 1/23 en suite, 1/23 views, 1/23 sea, 1/23 sun. Substantial finance available. Write Box G8834, Financial Times 10 Cannon Street, EC4A 4BY

Old Established Manufacturer of OCCASIONAL FURNITURE AND SMALL GIFT LINES. Situated in the North West (Turnover £200,000). MODERN FREEHOLD PREMISES. For Sale as Going Concern. Principals reply in first instance to Box G8834, Financial Times 10 Cannon Street, EC4A 4BY

£500,000 O.N.O. THRIVING SOCIAL PHOTOGRAPHIC COMPANY FOR SALE. Due to Owner's ill health. Established 30 years. Two spacious Shops incorporating large Colour Laboratory, Studio Complex. Central West End position. Write Box G8835, Financial Times 10 Cannon Street, EC4A 4BY

THE ARTS

Time to re-think the role of the Courtauld

Roy Strong assesses the Courtauld on its fiftieth anniversary

The Courtauld Institute of Art is celebrating its fiftieth anniversary. In October 1932 Samuel Courtauld's house in Portman Square opened its doors to the first students in a new discipline in this country called art history. Half a century later it is still just about in that house but with its collections housed a mile or so away above the Warburg Institute in Woburn Square. The latter is reflective of earlier plans, for both institutes were to be housed in complementary new buildings side by side in the late 1950s. The Warburg needs took precedent because it had to come out of the Imperial Institute which, apart from its tower, was to be wantonly demolished to make way for Imperial College. Necessity was less pressing in the case of the Courtauld who in the end never came; their collection alone being despatched to what at the time were stylish and sumptuous galleries.

Nothing can dim the glory of the objects but these rooms, twenty years on, are looking sadly tired and worn. Tastes in the presentation of works of art have changed as well as public expectancy in the way of ancillary services (the 'loos' are in the basement). It is not an easy gallery to locate and access is by way of a freight lift. The proposed relocation of the collections along with the Institute itself in Somerset House cannot happen too soon. It is abundantly clear that the present management can do

little but make do and mend until the great day.

Still until April 10 there is the bonus of seeing a new collection donated to the Institute, that of Lillian Browse. Her taste is sharply different from that of Courtauld. It is modest and domestic as well as being truly personal. She was a great protagonist of the late Leslie Hurry and there's a small group of drawings by him at his best, including an exceptional beautiful miniature design for von Rothbart in the famous Swan Lake production of 1943.

The catalogue is a delight for it records her own reactions to new 'things'. She had always wanted to own a Modigliani drawing, and so I decided to spend my fee on this drawing which had belonged to Sir Hugh (Walpole), a very good and helpful friend to me. What more does one need to know? Of a spray of cyclamen in a jug by Nicholson she writes: "Marguerite Sloan gave the Staffordshire jug to me—its handle had been struck on since it was painted."

Of a Sitter: "I like to play 'guessing' games with this unsigned little panel. Nobody ever knows who painted it..." This is a gentle, tranquil collection made with little money and much discernment. I had forgotten that Lillian Browse was a ballet critic but the Degas drawings and bronzes of dancers, William Nicholson's Dancing Pumps and the Rodin series of dancers together with his Nijinsky form a quite outstanding group.

The two galleries beyond house an exemplary little academic exhibition on a neglected subject, reproductions in 18th-century England after old master drawings. It is easy to forget that Arthur Pond, a somewhat depressing painter, was capable of these highly sophisticated combinations of the etching and woodblock process to obtain almost facsimile



Part of the Lillian Browse collection at the Courtauld

reproductions of drawings by the Italian masters.

This is not an easy period for the Courtauld Institute. It is now not alone in teaching art history, a subject which is also taught at Oxford and Cambridge and in most of the regional universities as well as at University College and Birkbeck in London. Some of its most important scholars have died, retired or left for the United States. It is faced with the problem of declining resources as a result of the cut-backs to the university as a whole. In addition there is the problem of the move from 18th-century England after old master drawings. It is easy to forget that Arthur Pond, a somewhat depressing painter, was capable of these highly sophisticated combinations of the etching and woodblock process to obtain almost facsimile

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Les Musiciens du Nil

Max Loppert

A stylish goodbye to Round House

The closing event of the 1983 Camden Festival was also the final event on the schedule of the Round House. It was entirely worthy of the history and purpose of the place in its artistic incarnation that no funerary ceremonies should have been organised for the sad occasion: lifting the roof and the hearts of a large audience with the sound and spectacle of the Upper Egyptian folk musicians who between them constitute Les Musiciens du Nil was certainly a way of going out in high style.

The group was formed in 1975 by the French ethnomusicologist Alain Weber (who also plays in one of the bands). A previous visit to London was glowing opinions, which were massively borne out by Sunday's recital: this music from the upper stretch of the Nile Valley, with its unfamiliar, exotic accents, makes on the untutored ear an impact that is as enthralling as it is ineluctable.

According to a note in the festival booklet, the roots of the performance style can be traced to remote Pharaonic times even through the subsequent layers of change and influence. It was surely not merely newcomers' sentimentality that made of the harsh directness and vigour of the sounds an experience at once pressing and immediate and entirely (even from the short musical episodes which are the inevitable form of such a concert) timeless. The six-man rababa orchestra took up the first hour, it comprises three rababas (the ancient Egyptian form of the

violin), a reed-flute player who exhibits brilliant virtuosity on soprano and alto instruments, and two drummers. There was also song—long stretches of hypnotic pleasure even for those unable to follow words that were evidently provoking the natives in the audience to squeals of mirth and delight. The impressively relaxed bearing of the performers contrasted most saliently with the pungent timbres they produce, the elaborately decorated burials of stirring unison and descent, and the sudden clating charges of speed to signal a number's approaching end. As in every folk-music band of quality, most members can do more than a single performance duty: so it was no surprise to find the leader of the rababas able to swirl and spin majestically around the platform in the process of playing his instrument above his head.

After the interval, we were introduced to the mizmar band—three piercing oboe-relatives accompanied by side drum (and, in the closing number, by two ceremonial stick dancers). The mizmar, its drone variant kept going by amazing circular-breathing techniques, was tremendous in its insistence, near but never quite across the ear's pain threshold. On the last London visit to the group, according to report, a belly dancer entered the proceedings at a late stage. Sadly, she was not provided on Sunday; but even without an emanation of that kind, this was a sensational event—a full-blown show that was an ear-cleansing and a wholly un-sentimental refreshment of all the other senses besides. The international ethnic music side-line of the Camden Festival is, on this sort of evidence, one of its most important and rewarding recent developments.

Endymion Ensemble

Dominic Gill

The Endymion is one of London's newer chamber ensembles: founded just over three years ago under the direction of John Whitfield, it brings together a distinguished band of young professionals, chiefly ex-principals of the National and EEC Youth Orchestras, to play a broad chamber repertoire with an increasing emphasis on 20th-century and new works. They have been regular visitors to Wigmore Street and Smith Square, but their concert at the Elizabeth Hall on Sunday night was their first appearance on the South Bank.

It is unfortunate that the Endymion's most notable weakness is Mr Whitfield himself. A virtuoso bassoonist, Whitfield is also a competent conductor: but he is no more than that. His best is clear, but dull; his direction holds the music together, but discovers in it few strong or brilliant colours, few surprises. Technically, the playing of the two main and exceptionally taxing works of the Endymion programme was consistently of the highest standard; with keener and more perceptive direction they could have been very exciting performances indeed.

The American pianist Ursula Oppens and the young Italian violinist Mauro Loguercio (making his British debut) were the soloists in Berg's Chamber Concerto. Miss Oppens's reading of her gigantic solo part was at once physically commanding and curiously dry and unyielding in its physical presence. It seemed nervous, or perhaps uncertain—not about the notes, but about how best to tie them into the instrumental fabric. Whenever it came to a choice between playing her own self and indulging in hurrying on, she hurried on. The delivery was remarkably exact, but hardly stylish. Loguercio's violin playing was more engaged and engaging; ardent, warmly expressive, of fine-grained sinewy tone, and where it mattered most, precise intonation. An interesting and attractive musical personality, calm but highly charged, that I hope returns to London soon.

The Endymion's horns pre-fused the Berg with a splendidly accomplished account, unaccompanied, of Michael Tippett's bouncy, dull Sonata for horn quartet. And together the whole ensemble, under John Whitfield, devoted their first half to Mozart's great B flat Wind Serenade K361. The Serenade doesn't decisively need a conductor; it certainly doesn't need one who is mainly content, like Whitfield, to preserve a middling sonority in which no particular weight or priority is allotted to any particular musical strand. Like the Berg in sum, a decent performance; but one which left far too many knots—largely conductor's knots—untied.

Saleroom/Antony Thorncroft

Continental ceramics did well at Christie's yesterday with a Vincennes figure of a seated poodle, made around 1752 and perhaps a model of Madame de Pompadour's poodle, selling for \$32,400 to the dealer R. and J. Jones. The large figure, 23.5 cm high, was almost certainly a "one off" made for the Court. The same buyer acquired a

Vincennes green ground basket, one of only two known, for £17,280. It was sold by Phoebe, Lady Hillingdon. An other leading dealer, Winifred Williams, sold £9,720 a St Cloud figure of a reclining cat, made around 1745. The most interesting lot, a Florentine maiolica two-handed jar of 1431 was bought in at £42,000.

Architecture

New York indulges in a mad chase upwards

New York is gripped by a mania. Developers and architects are seized by an erratic urge to build as many tall skyscrapers on as little land as possible. It has always been that way but the spread of the phenomenon to the setting of skyscrapers over low buildings to allow for the creation of high ones—which began in its present form with the raising of the Pan-Am Building over Grand Central Station—has now reached a pitch of madness. Of course it all good news for architects but I am certain that it is not good news for architecture or for the future happiness of the residents of New York.

At the Museum of Modern Art in the heart of mid-town Manhattan, there is a double manifestation of the mania. The Museum itself sold its six rights for \$17m and has its own Museum Tower of apartments currently on the market at high prices to fund the future of the museum. In what passes for the museum at the moment, a few galleries surrounded by building site—the current architectural show only lasts until the end of the month but any visitor to New York this year would be well advised to buy the catalogue by Arthur Drexler, the director of the Museum's Department of Architecture and Design.

The show at the Museum concentrates on the technology and art of high buildings. It singles out three recent mani-

festations of the genre, the new Hong Kong and the new Shanghai Banking Corporation now under construction in Hong Kong to the designs of Norman Foster; "The National Commercial Bank in Jeddah" completed in 1980; and the design of Gordon Bunshaft of the American firm of Skidmore Owings and Merrill; and Philip Johnson's International Place in Boston.

Initially it is difficult to see the rationale behind this selection of recent designs, particularly as the show is exhibited cold—there is no historical framework. The answer lies in the catalogue. As Drexler says the skyscraper is machine for making money—once this is allowed for what do they offer the architecturally interested public? These three examples demonstrate an interaction of certain factors that give them their own particular virtues. Structural innovation combined with internal space planning has the most immediate effect on the design and it is both Foster's building in Hong Kong and the bank in Jeddah that indicate two radical approaches. Urban scale and the imposition of large abstract objects on the townscape are the other factors questioned by this exhibit.

In Norman Foster's bank for Hong Kong every element of the structure is made visible inside and out, and the largest prefabricated elements ever made will come from Japan to make up this megallith of super tech-

nology. The Museum of Modern Art sees this tower as "an ultimate purpose, to make the technologies of our era familiar, beautiful and exhilarating." Like all glorifications of technology over content the spectator is left marvelling at the audacity and skill but there is always that sneaking question—"to what end...?" The models of the Foster project have landed New York: they gleam in a Chinese red room with all the significance of polished icons.

Philip Johnson is still the architectural king maker in New

Colin Amery reports on an exhibition at the Museum of Modern Art in New York which chronicles the renewed interest in building tall—and has his doubts

York—his age and fame give him an influence akin to a Machiavelli. If he is to be credited with the commercial acceptance of the skyscraper, modernism he has a lot to answer for. The project of his firm Johnson/Burgee Architects in this exhibition will be completed in Boston in 1985. It is a group of what looks like six or seven buildings but is in fact only two large office blocks pre-tending to look something like a village cluster of tall and not so tall blocks.

The amazing nature of his fame at a late stage in his career, he is 76, means that there are a lot of projects on his drawing boards. In the future I suspect that his fame will rest on a few of his early works and the great "Chippendale" building nearing completion for the American Telephone Company on Madison Avenue. There is no doubt that his great ground floor lobby will be one of the marvels of New York—but like so much of his work it could well be over-

glided and vulgar. What the Midtown Avenue headquarters does demonstrate is the glory of using real materials again—great jumps of heavy granite evoke a primal response that no amount of high technology can even attempt to imitate.

The choice of the Arabian Bank to show the value of the minimalist aesthetic has within the choice a certain enjoyable irony. S.O.M.'s triangular tower with blank walls pierced by rectangles of darkness undoubtedly has a modern monumentality—as well as being suited to the desert climate and intense light of its region. Inside the triangular form there are glass walls facing inward to elegant atria. I thought that the attempt to explain the dark recesses in these Travertine clad facades as giant versions of the Moslem prayer niche somehow stretching the iconographic interpretation. The blank walls do however show the virtue of the traditions of Arab architecture—the cubist notions of the thirteenth century have come to a roost in the right climate. The drawings of this simple and pleasing design are hung in the museum like minimalist paintings and have a serene beauty.

The Museum of Modern Art has shown in this recent exhibition that the attempt is still going on in architecture to enrich modernism without recourse to historical styles. Others are following, different paths and several of the newest ideas for architecture in America are attempting to bridge the gap between historical forms and movements like neo-classicism and the abstract language of modernism. It is in the studios of artists that many of the ideas for the future of architecture are to be found.

One artist who is also an architect, Ricardo Magazoni, has a show in New York of his explorations of the form of the column. Nine plywood sculptures covered in gold leaf are solemnly lined up in the gallery of the Centre for Inter-American Relations at 680 Park Avenue until April 24. Each of these column sculptures explores the use of the golden section and the spiral as a source of organic growth. These are important works for architects because they are exploring the column as both a form and an element of decorative power. In feeling there is a massiveness about this work that is reminiscent of the Romanesque; at the same time there is a strong feeling of the thirteenth in the use of the continuous line as an element of decorative power.

In further articles I hope to look at the work of artists like Ned Smyth and Donna Dennis who both have important messages for the future of the language of art and architecture. New York's thrust to the skies has little to do with the growth of architecture as an art—that is happening on the ground.

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Arts Guide

Opera and Ballet

WEST GERMANY
Berlin Deutsche Oper: A new production of Don Carlos by Lucien Werba with Winfried Kallmann as Sir John Falstaff and Norma Sharp as Frau Fluth. Don Carlos, with a cast headed by Edde Moser, was revived triumphantly. La Bohème conducted by Gianfranco Masini, has Ilona Tokody and Barry McDaniell in the main parts (9.430).

HAMBURG
Hamburg Staatsoper: Aachen for Don Carlos with star cast Nicola Martinucci in the title role. Jelenka Obradovic and Ruggero Raimondi as Philip the Second was unparalleled. Also, this week, Hoffmanns Erzählungen with Neil Schlickeff in the title role as well as Ariadne auf Naxos with Marijana Lipovsek and Dieter Wellmer. Zemlinsky's Kreisleriana is presented by Herbert Wernicke and has Beatrice Niehoff and Guillermo Sarabia in the main roles. Zar und Zimmermann completes the week (8.15).

COLOGNE
Cologne Opera: Parsifal, produced by Jean Pierre Ponnelle, has Peter Lindqvist in the title role and Waltraud Meier, famous for her rendition of this part in Bayreuth, as Kundry. Also Don Pasquale and Der Barbier von Sevilla (8.07).

FRANKFURT
Frankfurt Opera: Madame Butterfly with Akiko Kuroda in the title role, has Sopran Eudora giving a fine delivery in the part of Pinkerton. Ariadne auf Naxos benefits from an outstanding performance of Agnes Baltsa (8.00). The Ring Cycle and Gluck's Alceste (8.00).

STUTTGART
Württembergisches Staatstheater: Zar und Zimmermann fe-

aturing Maria Humann and Arndt Beumann (20.21).
Münchener Bayerische Staatsoper: Das Liebesverbot, a Jean-Pierre Ponnelle production; Parsifal with Peter Hofmann; Werber Eck's Peer Gynt, produced by Kurt Horst; La Bohème, sung in Italian; La Cenerentola with Francisco Araiza and Susan Daniel (21.05).

LONDON
Royal Opera, Covent Garden: Don Carlos in the famous new production 1958 Visconti production is given for the first time in the original French. The cast includes Poyo Geranzi and Thomas Allen and the conductor is Bernard Haitink. Die Zauberflöte, in August Everding's jolly staging, has a cast of leading Mozartians (Barrow, Papp, Fry) conducted by Colin Davis (8.00).
English National Opera, Coliseum: Dvorak's Rusalka, not seen in London for many years, returns in a revival by the controversial ENO team of David Pountney (producer) and Mark Elder (conductor). Rossini's Cenerentola, led by the scintillating Della Jones, completes its current run. Verdi's Forza di Destino, one of the company's most successful and thoughtful efforts, is led by the Le-cocora of the wonderful Josephine Barrow (8.31).

VIENNA
Staatsoper (9.24/28.55): Die Entführung aus dem Serail, Salome, Rigoleto, Parsifal.
Volkstheater (8.24/28.57): Der Graf von Luxemburg, Das Feuerwerk, Die Entführung aus dem Serail.

PARIS
Maurice Bejart and his XXth century ballet conducted by Sylvain Cambreling: Stravinsky's "L'histoire du Soldat" - TMP-Chatelet (26.11.83).

NEW YORK
Metropolitan Opera: James Levine conducts the last seasonal performance of Don Carlo with Placido Domingo in a week that also includes performances of Furtado Melano's production of Madame Butterfly conducted by Eugene Kohn, with Il trovatore, Die Walküre and Il Barbiere di Siviglia. Opera House Lincoln Center (8.00/8.30).
Hamburg Ballet: Company director John Neumeier completes the season with his choreography of Bech's Saint Matthew Passion. Brooklyn Academy of Music, 30 Lafayette Ave (8.41/9.00).
Pier Sixty internationally known flamenco dancer performs in the music of Bach, Corelli, Albinoni, Beethoven and the poems of Garcia Lorca, Gramercy Arts, 130 E. 23rd (8.28/8.55).

WASHINGTON
A tribute from Philip Glass: Philip Glass's opera which premiered a year ago to celebrate the Kennedy Center's 10th anniversary, becomes this year's keystone of an "Imagination Celebration." The itinerant programme for children goes from here to Tucson, Milwaukee and Seattle with the Met's own opera giant puppet version of Peter Rabbit and a play about boxer Joe Louis. Terrace, Kennedy Center (2.54/8.95).

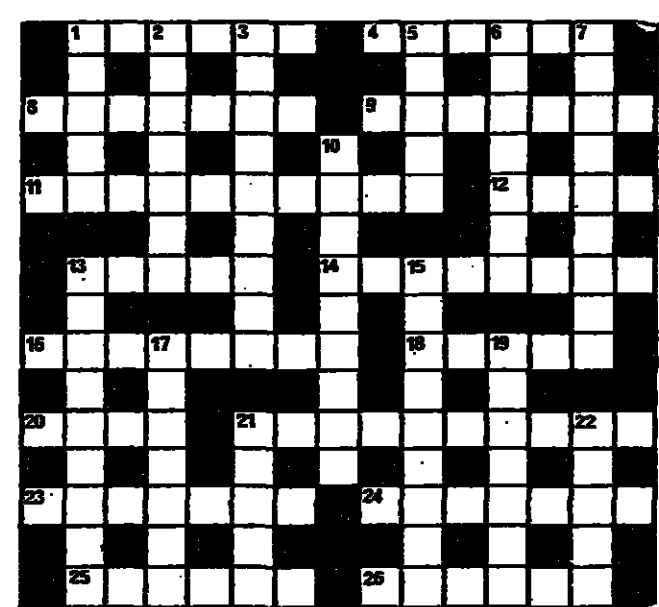
F.T. CROSSWORD PUZZLE No. 5,134

ACROSS

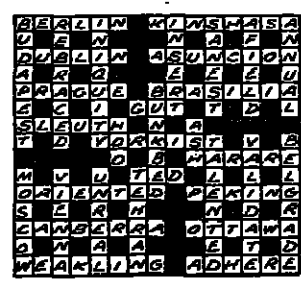
- Obese French friend returns to me (8)
- He seldom talks of 26 (6)
- Sharing out a gift of money (7)
- Man gone wild such as "Africanus" (7)
- Inappropriate for one King about to go to the East (10)
- Book for performances (4)
- Strip—it's hot in Chinese secret society (5)
- See Descartes slip back for a beer (8)
- Study one of twelve on stage perhaps (8)
- Table arrangement causing complaint (5)
- Steele drunkard round junction (4)
- I enlist maybe after Greek character becomes bald (10)
- Five dollars to join a party at last (7)
- Syrian nomad held by hussar a century ago (7)
- See Descartes slip back for a beer (8)
- Rest for unmarried parents (6)

DOWN

- Low flashily dressed Aussie shows talent (5)
- Dance round the Spanish (7)
- Secretary-bird for Hermes (5)
- Soldier obtained a leg of mutton (5)
- Seclude one so tardy (7)



Solution to Puzzle No. 5,133



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Tuesday March 29 1983

New man
for coal

CONTENTIOUS though it may be, the appointment of Mr Ian MacGregor to run Britain's National Coal Board is, on balance, the right one.

There are, admittedly, two conspicuous negatives in the equation. Mr MacGregor's services do not come cheaply; and there is a grain of truth in the suggestion that for a man of three score years and 10 he nurtures ambitions that carry a hint of actuarial hubris. Yet there was scarcely a surfeit of candidates willing and able to do the job. The Government would, moreover, have conveyed an inappropriate impression to the miners if it were seen to back away from an appointment that Mr Arthur Scargill had chosen to attack.

As it happens Mr MacGregor's reputation as the hatchet man of the steel industry is largely misplaced. Much of the hatchet work had already been put in train before his arrival. It had been the subject of a prolonged strike whose settlement paved the way for subsequent rationalisation. No one who presides over the contraction of a major industry can expect to win the undiluted affection of the workforce. But there is little evidence that Mr MacGregor showed more insensitivity to the employees than was inevitable in the circumstances of the steel industry.

A resemblance

Mr MacGregor's inheritance at the National Coal Board bears a superficial resemblance to the one he confronted on arrival at British Steel. The miners' vote against strike action earlier this month has, at least temporarily, blunted Mr Scargill's combative edge. It also vindicated to a large extent the approach of the NCB management towards the crucial issue of labour relations. By partly decentralising the pay system through an area bonus scheme, the board has eroded solidarity in the coal fields. The miners are by now well paid and well encumbered with mortgages; their appetite for strike action earlier this month has, at least temporarily, been curbed. Closures have been humanely handled with generous redundancy payments and alternative job options.

That said, a difficult job

remains to be done. The long tail of uneconomic pits has to be faced. The NCB is already committed to speeding up the rate of pit closures from 120 tonnes of capacity a year to something between 2m-3m tonnes. Attention will need to focus more directly on the richer seams of Yorkshire, Nottinghamshire and Leicestershire, where the way is now open for the development of the Vale of Belvoir.

Disciplines

With a background in the U.S. mining industry, the new chairman will bring an understanding of the disciplines of the world market to the over-protected British coal industry. Unlike many nationalised industry chairmen, he takes the cut and thrust of ministerial intervention in his stride and commands respect in Whitehall. The key question, however, continued to be the handling of labour relations.

It would not be surprising if the Government were anxious to see the NCB further accelerate its programme of pit closures. Yet this cannot be done without running risks with the miners. The vote against strike action, in the wake of the decision to close the Tynan-Lewis Merthyr colliery, partly reflected a recognition that there was a point at which the barricaded pit whose lack of viability was beyond debate. An acceleration in the programme will inevitably mean that less clear-cut cases will find their way onto the agenda. At some stage the NCB may find a receptive audience for a call to stand and fight.

For any manager this would represent a considerable challenge. It is also one for which a manager should be well rewarded. However, it is regrettable that the Government has felt obliged once again to negotiate an expensive "transfer fee" with Lazard Freres of New York for the good offices of a man beyond retirement age who wished to make his contribution to the coal industry in the early years of his birth. The deal should certainly not be allowed to become a precedent in future appointments in the nationalised industries.

Germany needs
a lively bourse

IN THE build-up and aftermath to the conservative victory in the West German election, investors in West German shares have been enjoying a rare boom in the value of their holdings. The Commerzbank index is now 40 per cent up on its low point late last summer. Yet this euphoria in the German bourses is a reminder of the threat to the long-term health of the West German economy posed by the underdevelopment of the stock market as a source of capital for German industry.

Traditionally highly geared, German companies have suffered a marked deterioration in their debt to equity ratios during the past decade of slower growth and intense international competition. Yet even on the most optimistic assumption there are only a few hundred companies which could turn the stock market's strength to their advantage by raising new equity capital.

The total number of shares quoted on the West German bourses is around 400. In the UK, a country with only 60 per cent of the GDP of West Germany, 2,350 companies are quoted on the stock exchange with another 140 younger companies traded on the Unlisted Securities Market.

Lip service

West German bankers and companies have long paid lip service to the need to solve the problem which this underdeveloped stock market poses for the corporate sector and for the economy. In the past they did not need to take the question seriously. In the vigorous 1950s and 1960s the rate of economic growth enabled companies to boost their equity base from a steady and secure flow of retained profits. Bankers were content to advance long lines of credit to companies already heavily dependent upon bank finance. The risks were felt to be low, given the outlook for growth. As shareholders in many of the companies they were lending to, the bankers could themselves benefit from the high gearing on the equity base of their customers.

These days are now over. In its latest monthly report, the Bundesbank notes that the protracted weakness in corporate earnings is damaging the overall economic condition of the country by preventing companies building up their own funds. Companies are faced with the need to restructure

their operations, in many cases, to meet the emerging international competition. But bank are now nervous about their risk exposure and they are unwilling to supply equity capital except in real emergencies—such as the recent rescue of the shipping company Hapag Lloyd.

Moreover, the former advantages of the German system of corporate finance are probably drawbacks today. It used to be said that West German companies had an advantage over their European counterparts in not being dependent upon the fickle whims and short-sightedness of the stock market. They could count on bank finance and follow long-term investment strategies.

A challenge

The differing records of the two countries in this regard are an argument to refute. Yet it is arguable today, that now that the post-war phase of German industrial growth is over, and now that the German industry must adapt to new technologies and to new industrial competitors, the uncomfortable selectivity of the stock market becomes more of a necessity.

The creation of a deeper and more vigorous stock market presents a formidable challenge in a country where savers, scared by earlier crashes and by memories of hyper-inflation, habitually demand low risk and a steady rate of return rather than a blend of risk and profit. Wealthy Germans who have acquired the speculative urge tend to turn to overseas markets—to oil drilling ventures in the U.S. for example. Yet these are habits which need to be tackled under the new conservative Government, even if the changes will require years to take hold.

Some leading German bankers—such as Dr Wilhelm Christian of Deutsche Bank—have called for new steps to benefit owners of equities. Such pleas seem still to be aimed at squeezing tax concessions for the equity markets out of the new Government. Fiscal measures can certainly help. But initiatives must come from the private sector too. What is needed is thorough reform of West German stock market practices, listing requirements, and attitudes to corporate reporting which, while they may disturb deeply entrenched vested interests, are the only basis on which a lively stock market can be created.

MACGREGOR GOES TO COAL

The mixed legacy of a septuagenarian enigma

By Ian Rodger

Mr Ian MacGregor leaves the British Steel Corporation in the same way he arrived nearly three years ago—an enigmatic figure in an unseemly swirl of controversy over his remuneration. It is difficult to understand why a man of considerable wealth and who—by all accounts—is not much concerned about money any more would allow this to happen. But there are many things about Mr MacGregor that leave observers perplexed.

He rarely holds a press conference and is almost completely inaccessible to the media, and yet he is always in the news and gets very sympathetic treatment from journalists. He preaches the gospel of decentralised management and sings the praises of his management team, but anyone who has dealt with BSC in the past three years will tell you that he alone makes most of the decisions—especially on marketing and related commercial issues.

A highly reputed industrial strategist, his suggestions for BSC have so far failed to deliver what it promised. A firm believer in free enterprise, he has dragged his feet on privatisation. Other nationalised industry chairmen with records as good as or better than Mr MacGregor's have been vilified by this Government, but he remains the apple of the Prime Minister's eye.

"He has done a superlative job," Mrs Thatcher said in the Commons recently. Mr MacGregor seems to agree. "I would say that all I have saved you so far is about £1bn," he replied in his languorous way to a recent question on how much BSC losses had been reduced by measures taken since he had been chairman.

But even that remark is puzzling. Mr MacGregor is frequently glib in public, and his questioners, members of the Commons Committee on Trade and Industry, must have

wondered whether he was making fun of them or of himself. Or was he cheekily putting down a marker for the wise men who will have to decide eventually how much of a performance bonus should be paid to his employers, Lazard Freres of New York, in respect of his BSC record?

He was probably doing all three. When on duty—and that is most of the time—he is a man of few words, carefully chosen and quietly spoken. Even his frequent self denigrating jokes seem well polished, and his air of detachment has convinced outsiders of his objectivity.

His record at BSC is, on balance, a good one, but he is not the miracle-worker that his spokesmen sometimes claim, nor has he been personally responsible for many of the corporation's successful policies, as he himself has gracefully acknowledged.

"We're making enormous progress in making BSC as efficient as any steel company in the world on the foundations laid by Monty (Sir Monty Fimiston) and Charles (Sir Charles Villiers)," he said in a speech in December.

His major achievements are probably in two areas—rebuilding the morale of the corporation's staff and showing them the way to sell steel in overseas markets.

When Mr MacGregor arrived at BSC, the corporation was reeling from a 13-week strike. A hostile Conservative Government was ready to make dramatic cutbacks and urged the new chairman to throw out most of the top managers and pick his own team.

After assessing the situation, Mr MacGregor decided to keep the existing management team (would anyone have taken their jobs?) and to launch a major campaign to win back markets so that as many jobs and plants as possible could be preserved. As a strategy for attracting loyalty, it was hard to beat. But Mr MacGregor went further. He led the sales campaign from the

front. For the first time in years, a BSC chairman was to be seen knocking on major customers' doors and jettisoning around the world in search of orders.

"We were astonished," one large steel buyer says. "We had never seen a BSC chairman here before." He dug out big export orders in Hong Kong, South Korea and the U.S. He proposed buying an equity stake in Kaiser Steel in California so that Kaiser would buy more British steel, although the Prime Minister turned that one down. He also championed a lavish scheme to build a channel tunnel, knowing that it would consume a lot of steel.

Mr MacGregor has been given much of the credit for reducing the overmanning at BSC in recent years. Yet the policy was well underway before he arrived. The corporation's payroll fell from 210,000 in 1978 to 166,000 in mid-1980 when Mr MacGregor took over and has since tumbled to about 85,000.

Mr MacGregor's main policy decision at BSC, and the one which has gone wrong, was to maintain a steelmaking capacity at close to 15m tonnes. Last year, with world steel markets still in deep recession and the vital U.S. market almost cut off by protectionist measures, he had to admit he had made a mistake. BSC was losing nearly as much money by the end of last year as it was when he became chairman.

It is true that very few people foresaw the length and depth of the recession in the steel industry. The protectionist forces in the U.S. but it can be argued that Mr MacGregor, with his vast experience and international network of contacts, should have been one of the first to see trouble coming and should have acted quickly. Instead, having recognised in the spring of 1982 that things were going badly wrong, BSC did not begin to take action to slash its costs until late summer, and the bulk of the manpower

cuts did not happen until late November. By then it had become politically impossible to make a major capacity cut, and the Government vetoed Mr MacGregor's plan to close the Ravenscraig works in Scotland. He responded by saying the cost of keeping Ravenscraig open would be £100m per year and proposing instead that the corporation invest roughly \$100m in a U.S. mill that would provide an assured market for Ravenscraig slabs.

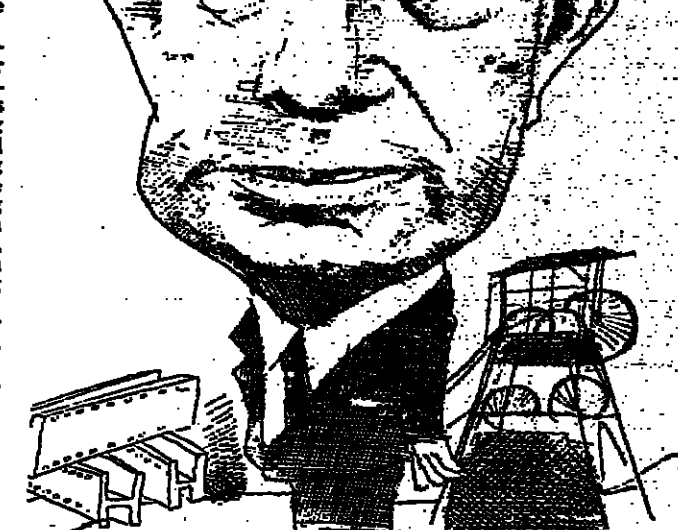
At a cost of over £30,000 per job saved, this plan looks extremely expensive. Indeed, the corporation and the Government would be a lot better off if Ravenscraig had been closed three years ago. How much of the costs of having kept it going should be set off against the £1bn Mr MacGregor claims to have saved?

Observers are also puzzled by BSC's stubborn refusal to cut prices last autumn in line with other suppliers. The result was that BSC's home market share fell to 43 per cent, lower even than immediately following the 1980 strike.

As a volume producer with high fixed costs, BSC is always loathe to cut prices. It also does not want to be seen undermining the European Commission's price stabilisation efforts, but neither can it afford to lose its customer base.

Perhaps the greatest surprise of the MacGregor period has been the lack of progress towards privatisation. Only a few peripheral assets—part of the chemicals business, Redpath, Dorman Long, the engineering group, and the Vitalic pipe-fitting company, have been sold so far.

Three other relatively small steel businesses—wire rod, large forging and casting and bright bar—have been put into joint ventures with private sector companies, but some complain that this has extended BSC's reach rather than reduced it. Certainly, the climate for



sales of steel businesses has not been propitious. In the wire rod and forgings cases, BSC has had to sweeten the deal by providing massive amounts of working capital to attract the private sector partners, GKN and Johnson & Firth respectively.

But there are a number of BSC businesses that should be saleable on normal terms, such as the large, profitable stockholding business, the Stanton and Staveley iron and concrete pipe business and a few others. Private sector executives who have had to negotiate with Mr MacGregor on deals feel that he has taken unfair advantage of the state's financial backing. In the case of Sheffield Forgemasters, for example, both JFB and BSC were in desperate shape, but JFB had to worry about investor confidence.

MacGregor knew that once the deal was announced, we were committed," Mr George Hardie, JFB finance director, says. "But he could always walk away. He was very subtle. He knew exactly how hard to push."

He claims the trick is not to eat or drink and just let the metabolism slow down into a comatose state. If he could package and sell the technique in detail, he could make a lot more than £1.5m for Lazard Freres.

Amax: the company which he left behind in 1977

AMAX, the giant U.S. natural resources group, was in large measure shaped by Ian MacGregor during an eight-year spell as chairman which ended in 1977. But his achievements at the company look much less illustrious today than they did six years ago.

After years of hectic expansion, Amax is now in full scale retreat. The company reported a net loss of \$300m for 1982, and has slashed its dividend. Its balance sheet is stretched, there has been open unrest among its shareholders, and corporate morale has been battered by a series of unwelcome austerity measures.

Inevitably this reflects on MacGregor's stewardship.

Analysts who treated him with adulatory respect during the good years of his tenure, that he expanded too fast and diversified too far. He is also criticised for the shortcomings of his successors, who for the most part were put in place by his regime.

The fact is that the company built by MacGregor was designed to succeed in an economic environment which was altogether different from that of the past few years. Raw materials were in short supply during the MacGregor era. Rapid inflation meant that real assets were extremely attractive investments and also that the loans which were raised to buy them were very cheap to repay. An acquisition which

might look expensive in year one could look like a stroke of genius in year five.

When he first took control of the board—and there was never any doubt about who was in charge—Amax was heavily concentrated in polyethylene, a metal used mainly to toughen up steel, and copper. In the following years, it pushed aggressively into coal, where it has become one of the largest U.S. producers, oil, aluminium, nickel and a host of other natural resources.

"He had a 'hands-on' style of management and kept close control over everything which the company did," recalls a former colleague. "He had a low tolerance for incompetence, but provided

you knew what you were talking about, you had no problem."

Capital spending and investments in the six years to 1977 amounted to \$2.5bn, which represented an enormous rate of expansion considering that depreciation and depletion provisions over that period totalled less than \$400m.

Amax finished this growth by means of rapidly rising profits—operating income before tax jumped from \$68m in 1969 to a peak of \$739m in 1980—and through a series of devious financial deals. These were largely orchestrated by MacGregor, who became known as the "financial wizard" of the company.

The push into aluminium was arranged on a joint venture

basis with Mitsui of Japan. And in 1975, Standard Oil of California injected over \$300m of new capital in return for a 20 per cent share of the equity.

No one knows how quickly MacGregor would have been capable of adapting to a period of falling raw materials prices and very high interest rates. His successor, Mr Pierre Gosselund, certainly seems to have been slow off the mark. Amax has been unable to expand rapidly after MacGregor left the chair, and its capital spending in 1980 more than doubled to \$1.3bn.

The biggest unknown is whether Amax would exist at all as an independent company if MacGregor had stayed in the chair. Just two years

ago, Standard Oil of California offered \$75.50 a share, or roughly \$4bn, to buy the outstanding 80 per cent of the company. MacGregor was widely believed to have been in favour of the offer, but Gosselund had rejected the terms. Today, Amax's share price languishes at a little over \$20.

After some large write-offs in 1982, Amax could now be getting over the worst of its troubles. But the austerity measures, which MacGregor is dishing out to Britain's nationalised industries are by no means unfamiliar nowadays at his old company.

By Richard Lambert in New York

Men & Matters

Laker lesson

Among the reams of evidence in the current court case over the collapse of Sir Freddie Laker's airline is a document that must surely be unique in legal history.

Headed "Outline prepared for daughter," it was written by J. T. McMillan, president of McDonnell Douglas Finance Corporation—one of the clutch of U.S. and European companies alleged to have conspired to bring about Laker's downfall.

The eight-page document, which details Laker's ups and downs, was written by McMillan for his daughter, Mary, to use in a school project. It has been put before the court by the Laker liquidator, Christopher Morris of Touche Ross.

Mary was informed by her father (surely a paragon among concerned parents) that Laker's "agreement with the British Government and the airline establishment to launch Skytrain was bitter and bloody..."

"He eventually made peace with the British Government when they honoured him with a knighthood. However, the wounds that were inflicted against the airline establishment did not heal and sowed the seeds of his final downfall."

The court was impressed with McMillan's efforts on behalf of his daughter—regretting only that there was no evidence of how Mary fared with her project.

Set up

Youngsters seeking rapid fame and fortune used to form pop groups—now some of them, at least, are turning to computers.

Eugene Evans, for example, Last summer, this 16-year-old left Central Comprehensive School on Merseyside having failed three of his O levels. Today he is the software manager of a computer company



"There goes Foot, laying another false trail"

which expects him to earn £35,000 this year.

"Actually that is being pessimistic," says Evans. "I hope it will come to more than that."

But Evans is still trying to cope with the sudden change. He lives with his mum and bus-driver dad in a council house. He has bought a hi-fi and some new clothes but the rest has gone into savings. He is too young to get a credit card, let alone a mortgage or drive a car.

Evans's ability lies in designing computer game programmes for Imagine Software, a Liverpool company. Wacky Waiters and Catcha Snatcha are two of his successes so far.

With two new games to produce each month, he says: "I have not really counted up the number of hours a week I work, but it amounts to quite a lot."

He did not benefit from a lot of "hands on" experience at school, but he has been studying books and magazines on the subject for four years and turned a week pocket-money from software retailing before he joined Imagine in November. Needless to say, Evans intends to stay in the business of elec-

tronic bleeps. "There is no other in which I can practise my hobby and earn what I am earning," he says.

Typesetting

Dreaming spires, lush green countryside, promises of uplifting doses of sports and culture—the glossy brochure has them all.

But this is not another enticing invitation to a get-away-from-it-all holiday. Inbuccon, the management consultancy which produced the brochure, is marketing 500 jobs in two printing machinery plants at Cheltenham. Unless it is successful, the Linotype-Paul employees will soon be out of work.

Three years ago, Linotype-Paul won two Queen's Awards for export and technology. Recently, however, the workforce was told by U.S. parent Allied Corporation that production was being shifted to Frankfurt.

"The workforce was pretty sick," says Innis Macbeath of London, used Inbuccon, which has been retained by Allied. "It's very mystifying when they've won all these awards and everything is hunky-dory, to be told that they're not profitable enough."

Inbuccon has helped save jobs before, notably after closures in Scotland by Massey Ferguson and Pilkington in recent years. As well as the workforce's skill in making sophisticated equipment, Inbuccon is promoting the merits of Gloucestershire itself. The high number of private schools and proximity to universities like Oxford and Bristol are held up to likely buyers as a sweetener.

Inbuccon calls the threatened 500 Linotype-Paul employees "a community in search of work." Says Macbeath: "Chopping up a workforce into 500 individuals is like telling someone to jump out of the window, reassemble himself and walk on stage."

New issue

City issuing house M. J. H. Nightingale, best known for its Over-The-Counter market in the UK, is changing its name to Granville and Company.

Nothing to do, I hasten to add, with the mercurial American trader Joe Granville. The new title comes from the middle name of managing director Robin Hodgson and follows the departure of the company's founder Michael Nightingale.

Company executives bought most of his 44 per cent holding and now own 56 per cent with the rest in the hands of five leading institutions.

The activities of Nightingale—or Granville, as it must now be known—have been overshadowed recently by excitement on the Unlisted Securities Market.

Hodgson stressed yesterday that the OTC market now accounts for less than a fifth of turnover, and other interests—corporate finance, buy-outs, development capital and private hospitals—financing are expanding fast. A £10m venture capital fund is expected to be launched soon.

Former senior partner of City solicitors Freshfields, David Stebbings, will take over as chairman later this year. Admitting that he was still at the "apprenticeship" stage, Stebbings showed yesterday, however, that he had a ready grasp of affairs.

"Given that the USM is established, I think the Stock Exchange should start to accept our OTC as an ally, not a competitor," he rapped.

Extension ladder

Heard in Brixton market: "Those thighs are seconds, love. But you'll get a good run for your money."

Observer

INTERNATIONAL
LEASING

The Banker, in the May issue, will be examining the tax and capital funding implications of international leasing.

Crossborder leasing contracts are now contributing significantly to the portfolio of international financing techniques available from banks and financial institutions worldwide.

Changes in legislation in the U.S.A., Japan, Europe and South East Asia are bringing about wider acceptance of international leasing not only in developed economies but also in third world capital funding. Problems relating to registration and ownership are now reconciled which is widening the range of equipment leaseable from the established areas of aircraft, shipping and containers.

Banks and financial institutions committed to the expansion of the international leasing market wishing to advertise in the forthcoming report in the May issue of The Banker should contact:

THE MARKETING DIRECTOR

THE BANKER

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Letters to the Editor

Spectre of gold haunts exchanges

From Mr. P. H. Groves.
We have just witnessed the unedifying spectacle of the monetary war between France and Germany concerning the realignment of their currencies in the European Monetary System. We know of course that, as with so many matters in life, it is a question of politics and, in the end, this dispute was settled politically. Indeed the whole concept of the so-called "Common Market" was born of a determination to see that Germany did not yet again achieve hegemony in Europe.

But, to the extent that economic factors do count, one is bound to ask what exactly the members of the EMS (and the leaders in particular) are driving at, and what non-members like ourselves have to stand. The gold standard standard collapsed in the 1930s. There followed the Bretton Woods Exchange Equalisation Account in 1946 to "iron out undue fluctuations in the sterling rate of exchange," and in 1956 we had the Bretton Woods Agreement. It was the latter that was ruled by the outbreak of the second world war. After the war we had the Bretton Woods system which was to have given us a system of a world monetary system free from the rigidities of the gold standard. In the early 70s this gave way to floating rates (or dirty floating) and now, after ten years, the trend is to try to achieve a system of exchange rate stability can be reduced.

It was no doubt all right for Keynes to declare that the external value of a national currency should be altered if

necessary so as to conform to whatever *de facto* internal value results from domestic policies rather than conform to a prescribed *de jure* external value. It was all right for him at that time to declare that the IMF system would be "the exact opposite of the gold standard." The gold standard may be dead, but it rules us from its grave. "Barbarous relic" it might be — but reports of its death may in fact be grossly exaggerated. Keynes himself admitted that less painful expedients would work better and be needed less "if the classical medicine is also at work."

It is not, to my mind, a question of fixed versus floating rates of exchange per se. Floating rates have not given countries the degree of autonomy claimed for them in theory. I agree that the burden of adjustment ought not always to be placed upon debtor countries; but I fail to see that when Germany has an inflation rate only one third of that of France, the latter country should scream for German revaluation and re-proach Germany for her "stiffness." It is not always "wicked speculators." Exchange rate movements are not always "irrational." They may be signals to us to put our houses in order; but we have got to the point where exchange rate changes must be of a size and timing determined by governments rather than by the market.

K. T. H. Groves,
157, Pevensy Road,
Heswall, Wirral, Cheshire.

Lead-free benefits to engines

From Mr. Des Wilson.
Sir, — J. Richman, who perhaps not coincidentally writes to you from Cheshire, home of Associated Oel, the company that manufactures lead additive for petrol, writes to you to welcome an overseas suggestion that the use of lead-free petrol leads to greater engine wear. "No quantifiable benefits will be achieved from banning lead in petrol," he says. The health benefits of a ban on lead in petrol have been well rehearsed in your newspaper so I will content myself with dealing with his first point. The fact is that leaded petrol damages cars and the elimination of lead would reduce maintenance costs. This is one of the advantages of lead-free petrol.

A report by the California State Air Resources Board in 1970 stated that "the motorisation of the engines involved in Ford's 1967-68 test indicates less piston ring wear, less blow-by, less degradation of engine lubricant, and less deposits on spark plugs with operation on low-leaded compared with leaded fuel."

An official of the Standard Oil Company of Indiana before the House Sub-committee on Public Health and Welfare in 1970 stated that lead-free petrol would lead to increased mileage and "a significant saving in automobile maintenance — less corrosion of the exhaust system, freedom from combustion chamber deposits, longer-lived spark plugs and the like."

The New South Wales State Pollution Control Commission in 1980 stated: "Lead-free petrol will reduce the cost of motorising in two ways: it will cut vehicle maintenance costs, and, by enabling the use of

catalytic converters, it will lead to reduced fuel consumption. The removal of lead and lead scavengers from petrol will result in a longer life for engine and exhaust components and lubricating oil."

Is there no length that the defenders of leaded petrol will not go to to mislead the public on this issue?

Des Wilson, Chairman, CLEAR.
The Campaign for Lead-free Air,
2 Northdown Street, NZ.

Daylight saving

From Mr. M. Fielding.
Sir, — Is it not about time that those countries which adopt daylight saving measures harmonised their operative dates? Last year, I believe, European countries adopted, for the most part, the same day in the spring but different ones in the autumn. Malta changed on a Wednesday in the autumn and the USSR on a Friday.

The U.S. changes four/five weeks later than us in the spring and usually one week later in the autumn.

All this causes great problems for airlines, ferry services and all those institutions and businesses whose activities span two time zones (and yes, I do have a vested interest).

Would it not make sense for us to standardise by always using the last weekend in March and the last one in September, or, if you prefer, the first in April and the first in November?

Michael Fielding,
14 Cheriton Road,
Winchester, Hampshire.

Drive for language skills

From the General Secretary, Institute of Linguists.
Sir, — Michael Dixon's article "Drive for language skills," March 19 once again brings out the crucial point that the motivation has to come from industry itself. Language departments in institutions of further and higher education have shown their ability and willingness to respond to demand for business-based, practical language courses. Educationalists have to market their product, too, in this hard world.

The schools are reacting more slowly, as the pressure is attenuated in contact with the educational demands. But there is no doubt that modern language teaching everywhere is geared to functional ends in a way, and to a degree, that it certainly was not 50 or even 10 years ago.

A major study will be starting soon to determine the practical needs for language learning in secondary and higher education; this is likely to have

a profound effect on the educational side of the supply-demand tension. On the other side, the business world is showing more awareness of its language needs. There are many instances of good, positive policy in language training and exploitation, and some interesting solutions are being devised. Nothing is static: business and education must co-operate to build rapidly on good practice.

We see the signs that Michael Dixon alludes to, in our examination entries as well as in the range of inquiries that we receive. The time is ripe to make a really good push at this problem. There are enough managers and enough teachers with common aims, and there can be no doubt that the benefits to British business, which needs to understand and talk to Europe and the rest of the world.

A. Bell,
Mangold House,
24a Highbury Grove, NS

Local authority autonomy

From Mr. P. Clark.
Sir, — The article concerning the local government election campaign (March 23) shows an appalling cynicism towards local government from the Environment Secretary. If King can describe elections for district councils on May 5 as "the world's biggest opinion poll" perhaps the responsibility for local government should be transferred to another Minister. In my short span of 13 years in local government, parish and district council, I have seen a continuous erosion of independence of our councils by successive governments. The inability

of these governments to run their own affairs with any degree of efficiency makes their increasing domination of local government a farce.

Local government elections should be about the performance of each individual councillor. The unwarranted intervention of national politics attempts to reduce the importance of local council elections to a barometer to show Cecil Parkinson when he is right or wrong. The Prime Minister to call a General Election.

P. C. Clark,
193, Silver Street,
Stansted, Essex

Child benefit payments

From Mr. S. Perry.
Sir, — Malcolm Rutherford finds it hard to see why child benefits are preferable to the old tax benefit (Politics Today, March 18). He seems to have overlooked several points:

Tax benefits or allowances are not available to those who do not pay tax. There is a greater likelihood that a child benefit will find its way into the hands of the mother and be used to feed and clothe children.

The child benefit is a right

for every UK family. A hand-out is only for the poor and can be felt by some to be demeaning.

There are many people other than the Child Poverty Action Group who favour the child benefit.

Some, like myself, see it as a small but essential step towards a major benefit and tax reform — the tax credit system.

Stephen Perry,
Prins Frederiklaan 18a,
2243 HW Wassenaar,
Netherlands

Protect the home market

From Mr. R. Gerrard.
Sir, — How Robert Edmondson can complain (March 24, S. Korean car imports) about Britain's so-called "immoral" behaviour is a wonder to me. It is axiomatic that to continue to support a domestic motor industry, this country should put an end to all imports that have a trade advantage over home produced vehicles in this way, regardless of the status of another country.

market places for Korean cars given to my knowledge.

R. A. Gerrard,
158, Speckman Road,
St Helens,
Merseyside

Opposition in Suffolk

From Mrs. J. Pickett.
Sir, — I was interested to read David Fisher's assertion (March 23) that there exists in the vicinity of Sizewell in Suffolk no substantial body of local opposition to nuclear power.

Readers might be interested to know that in the only local referendum on this question (held in the parish of Leiston-cum-Sizewell) votes cast in favour of the proposed Sizewell B nuclear power station totalled 229. Votes against were 677.

Janet Pickett (Mrs.),
24 Urban Road,
Leiston,
Suffolk.

The inquiry on Sizewell B

From the Co-ordinator, Proliferation Working Group, Scientists Against Nuclear Arms.

Sir, — Although David Fisher's impressionistic picture (March 23) of "A day in the life of the long running Sizewell B show" is to be welcomed for pointing out some of the major deleterious effects of the decisions by Nigel Lawson, Energy Secretary, not to fund objections, it selectively distorts the proceedings in a number of ways.

The report confuses issues by implying all the events mentioned happened on the same day as Mr. Fisher reported. They did not.

The statement that objectors David Ross and Colin Sweet "occupied a day between them" may be in line with Mr. Fisher's argument that the "national and long-winded questions took up (unnecessarily) a whole day; but it is not true. That Mr. Fisher should say this is especially astonishing as on the same day Ross and Sweet cross-examined the Campaign for Nuclear Disarmament spent 12 hours cross-examining the Department of Energy on a wide variety of issues concerning the management of plutonium and its possible transfer to the U.S. to aid military programmes. As Mr. Fisher has written extensively on this subject in your newspaper for a decade or

more, one wonders why he overlooked the implications, especially as he set through the CND cross-examination.

I should also like to point out that your report of March 18 did not highlight one of the most serious statements made by the Department of Energy witnesses on the matter, i.e. the 1978 tripartite agreement between UK-Euratom-IAEA on safeguards "in contrast to those entered into by non-nuclear weapons states, was not intended to provide an assurance to other Governments that material from the civil nuclear programme would not be used for defence purposes." The cross-examination specifically provides, under clause 14 for the withdrawal of nuclear material from the scope of the agreement for national security reasons. Presumably "national security reasons" means nuclear weapons. In light of this, when government ministers give assurances as did the Department of Energy witness — that the government has no intention to use civil plutonium for weapons, one can only wonder why clause 14 was ever written into the tripartite treaty.

The assurances would be a lot more reassuring if clause 14 were to be deleted at once.

David Lowry,
14 Lisel Road,
Simpson, Milton Keynes.

True extent of Guyana's debt

From the High Commissioner for Guyana.
Sir, — Your correspondent's estimates of Guyana's debts to bilateral and multilateral agencies are quite exaggerated (March 23).

The amount of medium and long-term debt owed to bilateral agencies is US\$250m and to multilateral agencies US\$187.6m. This gives a total of \$437.6m which is less than half of the estimated \$1.1bn. Again, the amount of external debt, as at December 1982, stands at around \$800m and not \$1.35bn. These figures are easily verifiable.

You should also know that multilateral lending agencies do not normally reschedule debts and it is not the intention of Guyana to seek such rescheduling.

Impending negotiations with the IMF always trigger off much speculation and over-estimates and can weaken the country's already difficult case. The question of devaluation stands out in this play with figures as is demonstrated in the report, including attributions to "senior Guyanese Ministers."

C. E. Joseph,
3 Palace Court,
Bayswater Road, W2.

UK Economic Policy

What to do about sterling

By Alan Budd

IN HIS Economic Viewpoint on March 17 Samuel Brittan criticised the absence of guidance on the Government's attitude to exchange rate movements and described it as *lacunae* in the Medium Term Financial Strategy.

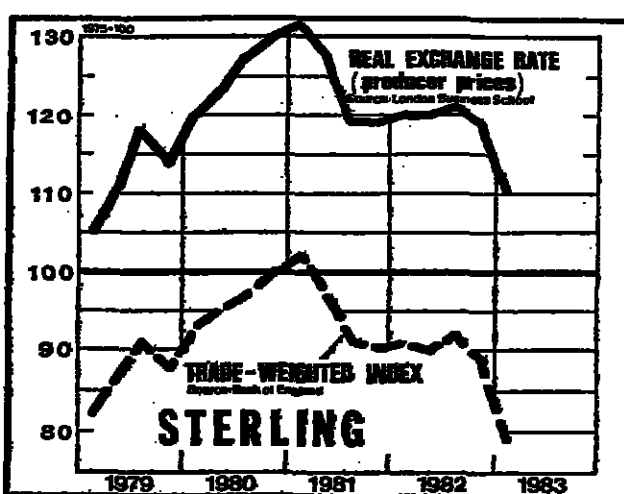
I think that his complaints are only partly fair; there is a problem about the exchange rate though I also think that the Government has been reasonably clear about its attitude to it.

The basis for the Medium Term Financial Strategy was a long-run relationship between the growth of the money supply and inflation. In its first presentation (in the 1980 Budget) there was no mention of the exchange rate. It could be deduced that the role of the exchange rate was to be purely passive; it would simply move to keep UK prices in line with our competitors.

Given the Government's desire to reduce inflation, it could alternatively have opted for an explicit target path for the exchange rate. There is a long debate in economics about whether price stability is best achieved by pursuing an exchange rate target or a money supply target. In the UK the question has been particularly discussed by Professor Artis and Currie.

The broad answer is that it all depends where the shocks which disturb the economy come from. If they come from the domestic economy it is better to have an exchange rate target; if they come from overseas it is better to have a money supply target. An example of a domestic shock is a change in the demand for money; an example of an overseas shock is a sudden change in world inflation or a change in the oil price.

Suppose, for example, that there is a change in the demand for money so that people want to hold larger money balances in relation to their expenditure. If the Government sticks to its money supply target under these conditions the rate of inflation will fall more rapidly than expected and the exchange rate will rise. In the short run the real exchange rate is also likely to rise and output will suffer. Problems arising from a change in the demand for money could be reduced or avoided completely if the Government was watching the exchange rate. It would notice upward pressure and would relax monetary policy



accordingly. The rate of inflation would be unaffected.

If the shock comes from overseas, the position is quite different. Suppose that there is a sudden burst of inflation in the rest of the world. If the Government sticks to its exchange rate target, the UK will "catch" inflation from overseas. (The money supply will tend to rise automatically.) In such cases if the Government followed a money supply target the exchange rate would rise and world inflation would be kept out. (This is broadly what the Bundesbank has succeeded in doing for most of the past 10 years.) It is worth noticing that in that case it is the nominal exchange rate which changes, not the real exchange rate.

The case of an oil price shock is yet more complicated. Quite apart from any effects it may have on world prices, a change in oil prices tends to change the real exchange rate of sterling. We are now seeing a 24% fall in oil prices which is likely to be accompanied by a fall in the real exchange rate. If the Government persists with its money supply target, the nominal exchange rate will fall but, in the long run, our inflation rate will be unaffected. If it switched to an exchange rate target, it would have to tighten monetary policy and our inflation rate would have to fall relative to that in the rest of the world.

The principles may be fairly simple, but the practice is extremely difficult. Whatever one may know or believe about the

compromised and allowed the exchange rate to rise as well as considerable over-shooting of the money supply targets. Towards the end of 1980 it started taking deliberate steps to cut interest rates. It has subsequently recognised that movements in the exchange rate are one development to be considered in its conduct of monetary policy.

What does that suggest for the present and future conduct of policy? If the Government wants to opt for a simple life it can choose either an exchange rate target (on the assumption that future shocks will come from the domestic economy) or a money supply target (on the assumption that future shocks will come from overseas).

The Government's current position was stated in the debate on economic policy on January 19. The Chancellor said: "A fall in the exchange rate will have a lasting effect on inflation only if it results from unreasoned money." The implication is that, provided monetary policy is on course, the Government should not attempt to offset changes in the exchange rate due to oil price movements. I believe that is the correct attitude, even if falls in the exchange rate are bound to raise prices in the short term.

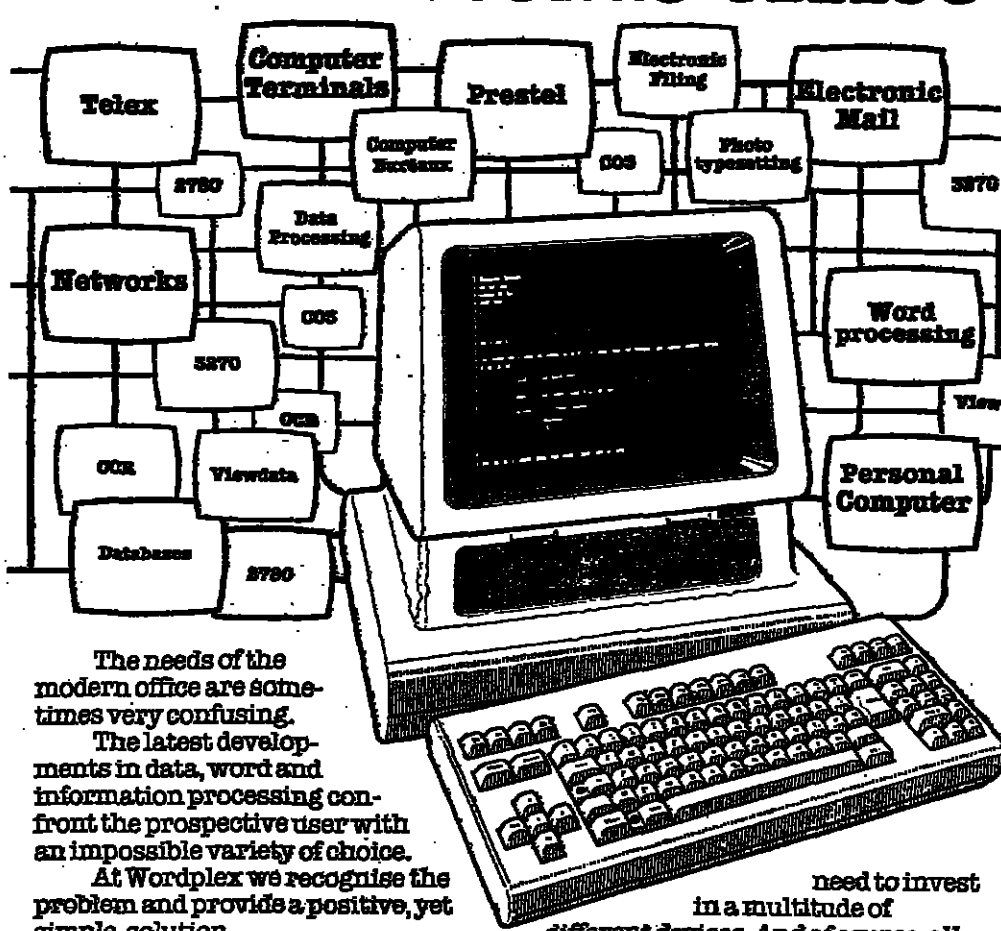
However the Government still maintains that exchange rate movements may be an indicator of monetary conditions and we are therefore left with the ambiguity to which Mr. Brittan objects. It is an example of the familiar choice between rules which are simple but too inflexible and discretion which allows the Government too much freedom of action.

The more guidance the Government can provide in advance, the better. For the moment it seems clear enough both from its statements and its actions that the Government generally intends to follow monetary targets and will allow the exchange rate to fluctuate. That will sometimes lead to astray, as it did in 1980, but important lessons were learned then (including a broadening of the money supply targets to include other measures of the money supply and an actual relaxation of the targets themselves). There might be no harm in making that clearer but it seems harsh to describe its present attitude as either delinquent or faint.

Alan Budd is Professor of Economics at the London Business School.

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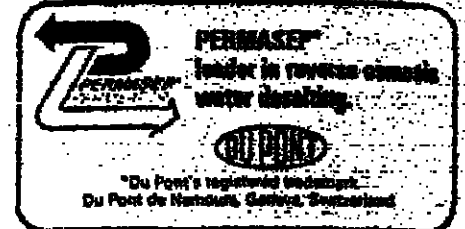
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FINANCIAL TIMES

Tuesday March 29 1983



LUCAS AND SMITHS TO POOL RESOURCES IN AUTOMOTIVE ELECTRONICS

Motor companies link in UK

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT, IN LONDON

LUCAS and Smiths Industries, the British motor components groups, are to pool some of their resources in a new company which they claim will start with annual sales of £160m (£233m) and have the broadest product range of any independent automotive electronics supplier in Europe.

The new concern, Lucas Electrical Electronics and Systems (LEES), plans capital expenditure of about £35m over the next five years to improve Britain's position in an automotive electronics market now worth \$1.5bn per annum in Europe alone and growing at 30 per cent a year.

The UK Government, which encouraged the two companies to put their interests together, will contribute to the expenditure pro-

gramme through various aid schemes.

The new company takes over Lucas Electrical's semiconductor, ignition, engine management, vehicle condition monitoring and other vehicle electronics systems as well as Smiths' interests in electronic and mechanical instrument systems, solid state displays, transducers, accessories windscreen and headlamp washers systems for cars and commercial vehicles, industrial instruments and pressure gauges.

In the three main areas the new company will cover it meets a considerable array of competitors in Europe. In engine management control Robert Bosch of Germany, Fiat of Italy, Renix (the joint company between France and owned by Renault and Renix of the U.S.)

General Motors of the U.S. and another American group, Motorola, are involved.

Renix and GM also have transmission control interests, while in the field of vehicle instrument display competition comes from Fiat, Jaeger of France, VDO in Germany, GM, Ford and Nippon Denso of Japan.

In France Ducellier has automotive electronics interests but it is already 50 per cent owned and managed by Lucas which might well attempt at some stage to take full control so as to link it with LEES. This would depend on the French Government's attitude more than anything else and so far the Government has insisted that Ducellier remain French.

In Britain LEES will account for 70 to 80 per cent of sales of the products it will make initially. A quarter of its turnover will go to BL, the state owned vehicle group. For Europe as a whole, it has less than 20 per cent of the relevant market.

By arguing that automotive electronics is a European, not a purely British business, Lucas and Smiths hope to avoid a British Monopolies Commission inquiry. They also believe that their joint position in the EEC should not attract the attention of the European Commission's competition department.

Lucas will inject assets with a book value of about £30m in exchange for 80.1 per cent of the ordinary capital, while Smiths will put in assets worth around £13m for 19.9 per cent of the ordinary shares.

Court told of \$20m in Calvi mystery

By Raymond Hughes, Law Courts Correspondent

AN ITALIAN business associate of Sig Roberto Calvi, head of Banco Ambrosiano, withdrew about \$20m from Swiss bank accounts shortly after Sig Calvi was found hanged, the London High Court was told yesterday.

Sig Flavio Carboni, one of the last people to see Sig Calvi alive, had told Swiss police that the money had been given, or been caused to be given, to him by Sig Calvi.

Sig Carboni had refused to disclose the ultimate recipients of the major part of the money, Mr George Carman, QC, told the Lord Chief Justice, Lord Lane, and two other judges in the Queen's Bench Divisional Court.

Sig Carboni's statement, which had been obtained from the Swiss police, was part of what Mr Carman described as significant fresh evidence that had come to light since the inquest.

Mr Carman said the new evidence called into question the correctness of the verdict that Sig Calvi committed suicide under Blackfriars Bridge, London.

He was appearing for Sig Calvi's widow, son and daughter, who are asking the court to quash the inquest jury's major verdict on the man known as 'God's Banker', because of his close links with the Vatican bank, and to order a new inquest.

Mr Carman said the suicide verdict was a grave moral stigma for the Calvi family as they were Catholics.

"They entertain the belief that he met his death at hands of others," he said.

The coroner's conduct of the inquest had resulted in a positive misreading of justice, Mr Carman declared.

The inquest had been conducted with unreasonably haste, over 12 hours in one day, the jury had been put under unwarrantable pressure, there had been material procedural irregularities, and the coroner had on occasion displayed misplaced levity.

Mr Carman said: "It goes far beyond a case of a lurking doubt that justice was not done. There is the gravest fear that the purposes of justice were frustrated."

He said Sig Calvi had given no indication of any intention to take his own life. On the contrary, he had expressed the fear that his life was in danger from others.

Mr Carman contended that the proper verdict would have been an open verdict. That might still be the position at a fresh inquest, though new evidence might alter the situation.

He referred to bricks in Sig Calvi's pockets when he was found hanging from scaffolding under Blackfriars Bridge. The bricks might have been placed on him "by way of ritual".

He said: "A lot of the background of the life and times of Sig Calvi relates to some lodge in Rome to which he belonged."

Another possibility was that the bricks had been placed there to simulate a suicide.

Mr Carman said a "mystery caller" had telephoned the Calvi family's solicitor, Sir David Napley, from the South of France and described how the banker was "murdered" by three other Italians.

The informant had said Sig Calvi had been taken to the scene of his death by boat.

The hearing continues today.

Writ served on Ambrosiano holding bank

By Alan Friedman in London

MIDLAND BANK yesterday delivered a writ to the Milan offices of Nuovo Banco Ambrosiano in order to recover its share of \$300m of loans made to the now-defunct Banco Ambrosiano Holding (BAH) in Luxembourg.

National Westminster Bank, the co-chairman with Midland of an international steering committee, is expected to serve its writ today. In all 80 banks writs are expected to be delivered before the Easter holiday.

Midland's legal action, like the others, demands repayment of its loans to BAH on the grounds that under Article 54 of the Italian banking law, a successor bank must take over the liabilities of its predecessor institution.

Under this rationale Nuovo Ambrosiano would be liable for the debts of Banco Ambrosiano SPA.

The Midland writ also argues that Banco Ambrosiano SPA and its successors are liable on the basis that BAH in Luxembourg was a foreign subsidiary of an Italian bank.

It is understood that creditors of Ambrosiano Andino, the Lima-based subsidiary, will also take legal action to recover bank debts.

THE LEX COLUMN

The hard road to recovery

The London equity market has already discounted the good news on recovery reported yesterday by the Confederation of British Industry and drifted lower after an initial fillip. With the reporting season for the engineers now in full swing attention is switching to the prospects for individual companies. Yesterday it was the turn of Delta and Glyndwed to provide the gist. Their results suggest the dangers of assuming that continued recovery in demand will be a universal panacea.

Delta

Delta Group of the UK has saved itself the princely sum of £350,000, plus associated advanced corporation tax, by a final dividend out which begs some awkward questions. The least of these concerns the future of the interim dividend.

Rather more pressing is the matter of management's expectations for 1983: Delta has reported a good performance in electric cables, for example, but margins in this industry sector have plummeted since September and the outlook for this year might be a legitimate worry.

Above all, though, the eccentricity of the dividend cut underlines a question about the management's capacity for effecting forceful changes, which might well be asked in the light, too, of the latest results. The answer to this last must impinge on Delta's status as a recovery stock, but the evidence is mixed. The slimmed down switchgear businesses have been brought into profit after an arduous two year reorganisation - and this has been a major factor behind the 14 per cent gain in pre-tax profits to £14.5m, achieved despite sizeable losses by Delta Manganese in South Africa. On the other hand, the Deltaflow business is still a loss-maker. Trading profits of just £1.3m in "fluid controls", on turnover of £142m, suggests that Delta's rationalisation measures have fallen short of a convincing response to cheap Italian tap imports. The shares, down 2p to 51p, are yielding 8.8 per cent.

12 months, but its figures have still been swamped by a cold douche from overseas. After the halving of trading profits in the U.S. and South Africa to £6m, and an acceleration in interest payments, mainly associated with these businesses, pre-tax profits for the year to December emerged 29 per cent down at £13.7m.

Even in the UK, there was little volume growth in the main divisions, but margins improved substantially, lifting trading profits by 20 per cent before inclusion of the newly-acquired Ductile Steel Overseas, however, margins were torn to ribbons by the recession, with the U.S. steel stockholding business losing £1.2m and South Africa caught in a combination of falling demand, rising interest rates and a big capital expenditure programme.

With a full year from Ductile, Glyndwed should be capable of profit of around £18m this year. Even so, its appetite for cash leaves a question mark over its ability to fund an upswing. Last year's share acquisition of Ductile helped bring the debt equity ratio down from around 70 to 64 per cent, but despite £4m cash brought in with Ductile, there was an overall outflow of around £10m. Yesterday, however, the market was concentrating on the maintained dividend, and the shares gained 3p to 114p, where they yield a comforting 9.5 per cent.

Freemans

Investors in the UK looking for encouraging straws in the wind for the mail order sector from Freeman's preliminary figures, are doomed to disappointment. The official statistics suggest that in the last half year mail order sales have stopped trailing the average retailing performance. Freeman's figures run against this trend, however, with a first half gain of 9 per cent falling away to 7 per cent in the second six months.

This sluggish outcome has emerged in spite of an agent network on average 10 per cent higher through the year, and that predicted £1m of stock write-downs.

Pre-tax profits for the full year have been halved - as in the first half - to £8.4m. For the third year running operating costs - up about 10 per cent - have risen much faster than prices - up about 4 per cent -

so the slow volume growth has resulted in a squeeze on net margins. The other main drag has been the bad debt experience, which may have reduced profits by an additional £250m. The benefits of the favourable shift in the sales mix towards fashion, meanwhile, has been marginal.

In the last few months the company has responded by cutting back its agents, introducing tighter control of debtors and taking a more conservative attitude to stocks. So the bad debt experience and stock write-downs may ease in the current year.

The pace of cost increases should slacken towards that of price gains, while debt seems to be coming under control. But sales volume may well be lower in the current half, suggesting a further squeeze on profits. Whether any shortfall is made up in the second half will depend on the general economic background.

The shares were unchanged yesterday at 70p, where the yield is 8 per cent.

Lucas/Smiths

The merger of the Lucas and Smiths Industries automotive electronics businesses applies a British solution to a sector where battle is already engaged on a world scale. Some overseas instrument manufacturers were already beginning to occur. Without them the joint company should be able to establish a better base in the diminished UK vehicle manufacturing market. That said, the deal allows Smiths largely to disengage from a sector which has been a severe drain on performance. Its non-distribution automotive interests lost £2m in 1981 and another £125,000 last year, on a turnover of £55m.

While retaining the vehicle heating subsidiary, constituting about a quarter of the division, Smiths is making over the rest to the new company in a neutral deal which gives it £12m of shares for the same amount of assets. It will also be able to deconsolidate the joint concern - a clear indication that it intends to concentrate management resources elsewhere.

The market responded to this new-look Smiths by marking the shares up 11p to 45p, while Lucas lost 2p to 162p.

Lower UK oil price could anger Nigeria

BY RICHARD JOHNS AND QUENTIN PEEL IN LONDON

THE British National Oil Corporation (BNOC) is believed to be under increasing political pressure to gain acceptance of a North Sea oil price of not less than \$30.10 per barrel. But a reduction on this scale would almost certainly provoke Nigerian retaliation.

A rate of \$29.75 is widely considered in industry circles and Whitehall to be compatible with the new price structure of Organisation of Petroleum Exporting Countries (Opec). It would compare with the rate of \$30.50 recommended by BNOC for North Sea oil nearly six weeks ago.

This price has still to be accepted by British Petroleum, Shell and Gulf - meaning that any compromise must inevitably be at a lower level. BNOC hopes to achieve an adequate consensus over the Easter period on a rate which would also be valid for the beginning, at least, of the second quarter.

While BNOC has still to obtain agreement among customers - let alone the smaller suppliers which

want the highest price possible - the critical question on the international front is whether Nigeria would be prepared to co-exist with any reduction below its price of \$30.

The impression evidently brought back from Lagos 10 days ago by a senior official at the Department of Energy, Mr Sidney Freeman, was that Nigeria and Opec as a whole might be able to live with \$29.75.

Any assumption that \$29.75 might be acceptable to Opec looks increasingly illusory. Nigerian officials in Lagos yesterday were insistent that any North Sea price below the Nigeria crude price would "certainly" be matched by Nigeria, although a reduction to the same level would not necessarily invite retaliation.

Nigeria's oil production remains depressed below the production quota level (1.3m barrels a day) fixed at Opec's London meeting. March average production is expected to be close to 950,000 b/d.

Iran and Iraq agree to oil slick talks

BY OUR FOREIGN STAFF

THE IRANIS and the Iraqis have agreed on a meeting to discuss the dispersal of the huge oil slick which is threatening the shores of the Gulf states.

The ministerial level meeting will take place next Saturday in Kuwait under the auspices of the Regional Organisation for the Protection of the Marine Environment, said Dr Abdul Rahman al Awadi, Kuwait's Health Minister and the organisation's executive director.

Mr Mirza Taheri, Iran's Deputy Premier and chief of the country's Environmental Protection Agency is thought likely to attend the meeting.

Reports that Iraq had agreed to suspend military operations in the vicinity of Iran's offshore Nowruz oilfield while repair teams cap the two leaking wells could not be confirmed in Bahrain yesterday.

However, Al Fajr Newspaper in Baghdad said that the Iraqi military command had responded "favourably to an appeal by the environment organisation to halt military operations in the offshore areas close to the damaged wells."

The Iranians have accused the Iraqis of capitalising on the catastrophe to secure a ceasefire, albeit in a limited geographical area. Dr Ali Shams Ardekani, the Iranian ambassador in Kuwait, commented "The Iraqis are trying to stop the war by creating panic among the Gulf states. Those who were responsible for the spillage are now trying to benefit from it."

Dr Ardekani said Iran is likely to accept only a limited ceasefire, say a 10-mile radius around the Nowruz Field. He added that Iranian crews had so far been unable to get to the area because of continuing Iraqi threats.

Oil is still pouring into the sea at an estimated rate of 5,000 barrels a day.

The oil slick, which consists of 100,000 barrels of crude oil, has drifted to within 60 miles of the north coast of Bahrain and could hit the beaches in two weeks.

John Elliott meets the Indian Premier's ambitious daughter-in-law

Maneka challenges a dynasty

A YEAR AGO, a classic row between mother and daughter-in-law erupted into a major public fracas when Mrs Indira Gandhi, India's Prime Minister, threw the widow of her late son, Sanjay, out of the family home in New Delhi.

This week the charismatic 26-year-old daughter-in-law, Maneka Gandhi, celebrated the first anniversary of the event by launching her own political party, a move which could eventually change the course of Indian politics.

Maneka Gandhi will not admit, yet, that she wants to be Prime Minister. "It is a bit early to say 'yes' at the age of 26," she comments. But when it was suggested that an explanation she had given about how India could not afford, unilaterally to abandon nuclear weapons sounded prime ministerial, she said wryly: "Thank you." She added: "If I've gone into something, I might as well make a success of it."

Controversially, she has evoked the name Sanjay in that of her party, announced on Sunday - Rashtriya Sanjay Manch - which means Sanjay's All India Congress. She is directly challenging Mrs Gandhi, who has chosen her surviving son Rajiv, a former airline pilot, as her potential successor, after the death of Sanjay in a light aircraft crash three years ago.

She has further decided on a head-on confrontation with the sky and retiring Rajiv by announcing that she intends to stand for election as an MP in the Amethi constituency in Uttar Pradesh, where Rajiv was elected MP in succession to his dead brother.

Success for Maneka Gandhi, in what is generally seen as an amusing but politically irrelevant side-show, could lead to her becoming a significant political force. Defeat,

however, could mean the end of her political ambitions.

Maneka Gandhi, an effective speaker, pulls large crowds at the public meetings she has held all over the country. She has linked up with one or two local politicians who have defected from Congress (I) candidates in recent state elections, and a former government minister is a close aide.

She claims that there are 800,000 members in her party, a figure which few in New Delhi believe, but as yet there is no sign of any major party organisation.

She insists she has no "mentor." Her manifesto, to be published this week, includes proposals for dual citizenship for Indians working abroad to encourage them to repatriate funds to India, action on unemployment to help solve regional troubles, and an international policy of non-alignment, but with a nuclear capability.

For the time being she is little more than an irritant for Mrs Gandhi, who has enough pressing political problems without being diverted by the politicking of a vivacious woman who has little to lose and everything to gain from cashing in on the Gandhi name.

These are not easy days for Mrs Gandhi. In addition to the persistent problems in Assam, there are troubles in the Punjab, involving the Sikhs, and in Gujarat between Muslims and Hindus.

Chief Ministers from three southern states who oppose Mrs Gandhi and her Congress (I) party, last week formed a new regional council which may eventually pose a challenge to her. Economic problems have been worsened by a severe drought in South India.

Maneka Gandhi comes from a comfortably-off Sikh army family.



Mrs Maneka Gandhi

A former model with no political background, she met and married Sanjay while at Delhi University. A garlanded picture of Sanjay hangs in the outer office of her family trucking company where about 10 men work both for the company and the new party.

Yesterday they were playing with Varun, the three-year-old son of Sanjay and Maneka. The bitterness between Maneka and Mrs Gandhi is so deep that the latter complains publicly that she is prevented from seeing her grandson.

Dressed in a dark blue Punjab kurta dress (although she frequently wears saris), Maneka's image is of a slim, confident westernised Indian woman who laughs easily, but is learning to talk seriously about political issues.

A suggestion that she might have called her party Congress (M), appealing to the (I) for Indira in the ruling Congress (I) Party, elicited a sharp response. "By the time the elections come round, Congress will be a dirty word," she declared. "The Gov-

ernment is deteriorating into tamasha" - a show to divert people from reality.

She claims she will gain from starting at the bottom of the political ladder, instead of at the top like Sanjay and Rajiv. But she also has an austere side. She is proud of having had few toys and lots of books when a child, and says she is applying a similar regime to her son. She taught him to read at the age of one, after Sanjay's death.

She wears no jewellery, not even a wedding ring, and until now has based her political views on the youth and ecology-oriented policies started by Sanjay - planting trees, abolishing dowries, increasing adult education, and improving hygiene.

She deplores excessive government spending - for example on the recent Asian games and the non-aligned conference and on a flight Mrs Gandhi took earlier this week to the southern drought areas.

She claims that she is not trying to settle old family scores, either with Mrs Gandhi or Rajiv. But no one believes her.

She is generally thought to have a fair chance of beating Rajiv if they both stand in Amethi. The memory of Sanjay and the sight of his widow and son, containing this work, could have a dominant impact there.

This will be her first big test. Maneka Gandhi along with some other politicians, believes that it could come in June or July, if Mrs Gandhi were then to call a snap general election.

If Maneka Gandhi won, she could have a major political future, upsetting the dynastic inheritance that Mrs Gandhi took over from her father and plans to pass on to her son.

Coal post for MacGregor

Continued from Page 1

Siddall sculpted will be replaced by the MacGregor hatchet."

Both Mr Lawson and Mr MacGregor played down the possibility of an axe being applied to the Coal Board's operations.

The Thatcher Government hopes that Mr MacGregor will speed up the closure of exhausted, uneconomic pits. Since the beginning of 1979 the Coal Board has shut 31 loss-making collieries but of the 193 which remain at least 60 are expected to reach the end of their workable reserves by 1990/91.

Double attack on French cuts

Continued from Page 1

the press yesterday, it was clear that many of the radicals in the party spoke out against the change in policy and cast doubts on its chances of success.

Reflecting the views of left-wing Socialists, M. Christian Goux, socialist chairman of the Finance Commission in the National Assembly, said that depressing domestic demand would result in a fall in economic activity, greater difficulties in balancing the budget and a worsening of the financial position of companies.

| World Weather | | | | | | | | | | | | | | |
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| C | | | F | | | C | | | F | | | | | |
| Algeria | C | 15 | F | 59 | Rabat | C | 12 | F | 54 | Melbourne | S | 18 | F | 64 |
| Alexandria | C | 16 | F | 61 | Tan | C | 13 | F | 55 | Miami | S | 18 | F | 64 |
| Amman | C | 15 | F | 59 | Algeria | C | 12 | F | 54 | Manila | S | 18 | F | 64 |
| Antananarivo | C | 17 | F | 63 | Paris | F | 17 | F | 63 | Mexico | F | 22 | F | 72 |
| Bahia | C | 17 | F | 63 | Perth | F | 17 | F | 63 | Moscow | C | 11 | F | 52 |
| Bangkok | C | 28 | F | 82 | Phoenix | F | 15 | F | 59 | Mumbai | C | 28 | F | 82 |
| Bombay | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | Nairobi | C | 10 | F | 50 |
| Buenos Aires | C | 10 | F | 50 | Port Moresby | F | 15 | F | 59 | Rangoon | C | 28 | F | 82 |
| Calcutta | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | Reykjavik | C | 10 | F | 50 |
| Cardiff | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | Rio de Janeiro | C | 10 | F | 50 |
| Chennai | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | Singapore | C | 28 | F | 82 |
| Columbo | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | Sri Lanka | C | 28 | F | 82 |
| Dakar | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | Taipei | C | 10 | F | 50 |
| Dhaka | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | Tokyo | C | 10 | F | 50 |
| Durban | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | Yokohama | C | 10 | F | 50 |
| Harare | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | | | | | |
| Hong Kong | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | | | | | |
| Jaipur | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | | | | | |
| Jakarta | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | | | | | |
| Johannesburg | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | | | | | |
| Kuala Lumpur | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | | | | | |
| London | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | | | | | |
| Los Angeles | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | | | | | |
| Manila | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | | | | | |
| Mumbai | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | | | | | |
| Nairobi | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | | | | | |
| Paris | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | | | | | |
| Rangoon | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | | | | | |
| Reykjavik | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | | | | | |
| Rio de Janeiro | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | | | | | |
| Singapore | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | | | | | |
| Sri Lanka | C | 28 | F | 82 | Port of Spain | F | 15 | F | 59 | | | | | |
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| Tokyo | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | | | | | |
| Yokohama | C | 10 | F | 50 | Port of Spain | F | 15 | F | 59 | | | | | |

| Readings at mid-day yesterday: | | | | | | | | | | | |
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| F | 61 | 63 | F | 55 | 59 | F | 64 | 72 | F | 50 | 50 |
| C | 16 | 61 | C | 13 | 55 | C | 18 | 64 | C | 10 | 50 |
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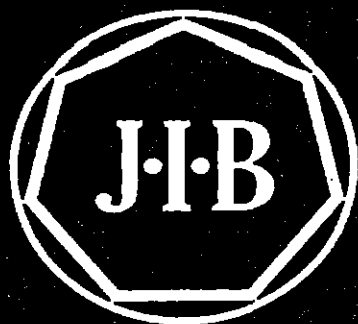
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INTERNATIONAL COMPANIES and FINANCE



Extract from Accounts at 31st December, 1982

| | 1982 | 1981 |
|-------------------------|---------|---------|
| | £000 | £000 |
| Issued Capital | 10,800 | 10,800 |
| Retained Profits | 11,279 | 9,790 |
| Subordinated Loans | 12,388 | 10,479 |
| Deposits | 581,637 | 431,314 |
| Loans | 375,540 | 281,666 |
| Total Assets | 631,605 | 480,023 |
| Profits before Taxation | 2,669 | 3,054 |
| after Taxation | 2,137 | 2,703 |

Japan International Bank Limited

Shareholders

| | |
|---------------------|----------------------|
| The Fuji Bank | Daiwa Securities |
| The Mitsubishi Bank | The Nikko Securities |
| The Sumitomo Bank | Yamaichi Securities |
| The Tokai Bank | |

107 Cheapside, London EC2V 6BR.



IRELAND

U.S. \$50,000,000

Floating Rate Notes Due 1988

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from March 29, 1983 to September 29, 1983 the Notes will carry an Interest Rate of 9 1/8% per annum. The interest payable on the relevant interest payment date, September 29, 1983 against Coupon No. 5 will be U.S. \$5,079.17 per Note.

Agent Bank:

Morgan Guaranty Trust Company
London

Second-half slowdown in growth at MUI

By Wong Sulong in Kuala Lumpur
MALAYAN United Industries (MUI), the diversified investment group, has reported an 8 per cent rise in pre-tax profits to 64.1 ringgit (US\$28m) for 1982, with second-half growth slowed down by the recession.
At half-way MUI, which has interests in property development, hotels, banking and manufacturing, recorded a 30 per cent advance to 30m ringgit.
While the group's hotels, banking and cement manufacturing activities performed satisfactorily, the 77 per cent owned sugar refining subsidiary, Central Sugars, saw a 39 per cent decline in pre-tax earnings to 20.4m ringgit, as a result of increased operating costs and lower prices.
MUI is currently negotiating with the government-owned Permas group to sell off the sugar refining operations of Central Sugars.
MUI is paying a final dividend of 4 cents on enlarged capital of 341m ringgit, making 6.5 cents for the year.

Kuok brothers seek listing for Pelangi

By Our Kuala Lumpur Correspondent
The Kuok brothers, one of South-East Asia's wealthiest Chinese families, are seeking a listing on the Kuala Lumpur and Singapore stock exchanges for yet another of their business operations, Pelangi, the housing development company.
Last year, the Kuoks floated Federal Flour Mills, and the Rasa Sayang Hotels on the two exchanges, in addition to their control of such listed companies as Perlis Plantations, Rahman Hydraulic, and Shangri-La Hotel.
Pelangi, which has a paid-up capital of 54m ringgit, divided into 108m shares of 50 cents each, will issue another 26.5m shares for public subscription. The 50 cents shares will be priced at 80 cents each.

Japan to relax rules on the issue of foreign bonds

BY YOKO SHIBATA IN TOKYO

JAPAN'S Ministry of Finance is shortly to relax restrictions on the issuing of foreign bonds by City banks so that they can diversify their fund-raising on overseas markets and ensure sounder fund-supply for their long-term loans to developing nations.
Overseas subsidiaries of City banks, the national commercial banks, have been allowed to issue foreign currency denominated bonds since October 1979. However, the use of the funds raised this way is strictly regulated by the ministry.
Under the current system funds raised by the bonds can be used by the bank's overseas subsidiary which floated them and can only be extended to overseas corporations.

Under the eased standards the funds raised as corporate debentures by a bank's overseas subsidiary can be transferred to any of the subsidiaries abroad as deposits or loans and such funds can be extended to sovereign borrowers.
Under the new standards, Fuji International Hong Kong, a subsidiary of the Fuji Bank, plans to float \$100m of 10-year bonds on the Eurodollar market.
Fuji International Hong Kong will advance the proceeds of the bonds to its London subsidiary as loans. Fuji Bank's London subsidiary will then use the funds in medium and long-term loans to sovereign borrowers and foreign corporations.
Other Japanese City banks such as Mitsubishi and Sumitomo Bank are expected to follow suit.

Japanese City banks have found it extremely difficult to find medium and long-term loans. Of their overseas lendings, short-term loans (with maturities of one year or less) are reported to account for about 50 per cent. Long term loans, with maturities more than 7 years are estimated to account for 35 per cent.
Presently the banks' overseas subsidiaries are limited to certificates of deposit, with maturity of five years to meet long-term loans, so they have been resorting to borrowing on the Eurodollar market with maturities of two years with the consequent expense of interest rate risks.

Cape Wine monopoly findings rejected

By Our Johannesburg Correspondent

THE South African Government has rejected the recommendations of the Competition Board that the wine monopoly position in the wine trade enjoyed by Cape Wine and Distillers be undone.
Cape Wine was established in 1977 with cabinet approval as part of an overall rationalisation of the country's liquor industry. This left South African Breweries as the monopoly beer producer and Cape Wine in control of about 35 per cent of the local wine and spirit market.

Cape Wine is 30 per cent owned by South African Breweries, 10 per cent by the public, and 60 per cent by Rembrandt-KWV Investments.
Mr David de Villiers, the Industries Minister said that a structure which had been established with cabinet approval could not simply be undone.
He added, however, that the Government wished to ensure healthy competitiveness in the liquor trade and warned against abuse of existing concentrations of power in the trade. This is the first time that the Government has overturned a Competition Board recommendation.

● MURRAY AND ROBERTS, South Africa's largest diversified construction group, has suffered a setback due to the inability of its Arundell Shipyards subsidiary to acquire further orders for oil rigs. The half year to December 1982, resulted in profits after tax of R24.2m (R22.2m) against R24.1m in the same period of 1981. In the year to June 1982 profits after tax were R51.7m.
An unchanged interim dividend of 15 cents has been declared although first-half earnings fell to 85 cents a share from 181 cents. The year to June 1982 resulted in earnings of 394 cents a share and a dividend total of 60 cents.

Consumer finance boosts Marui

BY OUR TOKYO CORRESPONDENT

MARUI, one of Japan's leading consumer finance and discount store companies, lifted consolidated net profits by 11.9 per cent to ¥10,528m (\$43m) in the year ended January 31 1983, thanks to brisk consumer loan business. Sales were ¥276bn, up 3.5 per cent.
The parent company contributed net profits of ¥9.6bn, up 12.3 per cent and sales of ¥270bn.

Reflecting falling consumer spending sales of clothing, sports and household goods were all sluggish. However, sales of services including consumer loans, jumped by 54.2 per cent to account for 4.6 per cent of the total. Outstanding consumer loans reached ¥70.5bn, up 3.1 per cent with interest revenue rising more than fourfold to ¥7bn.
In the current year, to

January 1983, Marui plans to expand its consumer loan business by offering loans to the general public, in addition to its cardholders.
Consolidated sales are expected to reach ¥307bn, up by 11 per cent, with net profits targeted at ¥10.5bn, a rise of 2 per cent.
The parent company plans to increase its term-end dividend by ¥2 to ¥15.

Saudi British Bank well ahead

BY OUR RIYADH CORRESPONDENT

SAUDI BRITISH BANK, which is 40 per cent owned by the British Bank of the Middle East, achieved a 28 per cent increase in net earnings to SR 147m (\$43.2m) in 1982.
The Riyadh-based bank, which was "Saudiised" in the summer of 1978, increased its assets by 21 per cent to SR 6.2bn and its shareholder equity by 18 per cent to SR 509m. Its

return on year-end assets rose moderately to 2.4 per cent and its return on equity to 29 per cent.
Loans and advances were 14 per cent higher at SR 2.5bn, while placements abroad with other banks were up 24 per cent to SR 2.5bn. Total deposits rose 17 per cent to SR 5.1bn.
The bank has declared a

SR 30 per share dividend. The British Bank of the Middle East will thus remit about SR 27m in profits.
Net earnings included an extraordinary SR 2.7m described by the bank as "foreign exchange differences and capitalised borrowing costs related to prior years."
Total income rose only slightly to SR 677m.

INTERNATIONAL APPOINTMENTS

Promotions at General Motors

● GENERAL MOTORS CORPN. is making two promotions following the retirement of Mr Robert J. Cook, vice-president and general manager of Oldsmobile division, on April 1. Mr Joseph J. Sanchez, vice-president and managing director of General Motors do Brasil, SA, succeeds Mr Cook at Oldsmobile.
Mr Clifford J. Vaughan, executive director, manufacturing and assembly operations, passenger cars-Europe for Adam Opel AG, has been elected a vice-president and named managing director of General Motors do Brasil, SA, succeeding Mr Sanchez.
● GTE ELECTRIC PRODUCTS has expanded its precision materials group through the addition of a division which

produces electrical/electronic, metallurgical and ceramic products. Mr John J. Vetter is vice-president and general manager of the division.
● CORROON AND BLACK CORPN. has promoted two senior executives in its Advanced Risk Management Services (ARMS) division, headquartered in Nashville, Tennessee. Mr Donald K. Helm has been made president and chief operating officer of ARMS, and Mr Richard W. Swenson has been made president of ARMS' newly-formed National Accounts Service Division. Corroon and Black's ARMS division was established in 1978 to serve as a resource for all subsidiaries in the development and implementation of alternative risk management techniques for large property and casualty clients. The division is composed of eight companies.

● YOUNGTOWN CORPN., the aerospace subsidiary of the LTV Corp., is to create two new divisions. On April 4, the company will be reorganised into a missiles and advanced programs division and an aero products division. Mr Edwin F. Cvetke, senior vice-president—operations, will become president of the aero products division. Mr Robert N. Parker, senior vice-president—research and engineering, will become president of the missiles and advanced programs division. Mr Billie M. Smith, senior vice-president and general manager of the multiple launch rocket system division will become

executive vice-president and general manager—missiles of the missiles and advanced programs division. Mr John J. Welch Jr., senior vice-president—programme development, will concentrate on corporate business opportunities, as well as the company's Washington operations.

● Mr Ivan Deselle has been named director sales—Yugoslavia and Eastern Europe for PAN AMERICAN WORLD AIRWAYS. He will be based at the airline's corporate headquarters in New York with principal responsibility for liaison with all Eastern European ethnic travel agencies in the U.S., Germany and Eastern Europe. He was manager meetings and conventions and incentive sales U.S. and international.

ALLIED IRISH BANKS LIMITED

U.S. \$30,000,000

Floating Rate Subordinated

Notes due 1994

In accordance with terms and conditions of the Floating Rate Subordinated Notes due 1994, the Rate of Interest for the interest period from 30th March 1983 to 30th September 1983 has been fixed at 10 1/2 per annum. The Coupon Amount of U.S. \$52.39 will be payable on 30th September, 1983 against surrender of Coupon No. 13.
29th March, 1983
Manufacturers Hanover Limited
Agent Bank

An important announcement to our stockholders:

Copies of the 1982 Annual Report of Citicorp can now be obtained from:

Citibank, N.A., 336 Strand, London WC2R 1HB, telephone 438 1599 between the hours of 9.30am and 4pm Monday to Friday.

Postal applications should be addressed for the attention of the Librarian.

CITIBANK • CITICORP

General American Oil Company of Texas

has been acquired by

Phillips Petroleum Company

The undersigned acted as financial advisor to General American Oil Company of Texas in connection with this transaction and as Dealer Manager of its self-tender offer.



The First Boston Corporation

March 10, 1983

Schering-Plough Corporation

has sold its subsidiary

DAP, Inc.

to

A wholly-owned U.S. subsidiary of

Beecham Group p.l.c.

We acted as financial advisor to Schering-Plough Corporation in this transaction and assisted in the negotiations.

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fenner & Smith Incorporated

March 3, 1983

INTL. COMPANIES & FINANCE

Newspapers in battle for sales in South Africa

BY OUR JOHANNESBURG STAFF

EVERYONE KNOWS that South Africa's newspaper market is overrated. No fewer than 21 dailies compete for a combined circulation of 1.8m, while 12 weeklies—not to mention two dozen national magazines and the usual range of trade journals—enjoy total sales of about 1.7m.

Johannesburg has six daily papers, of which only one—the afternoon Star—makes significant profits, largely from a bulky section of classified small ads. The Rand Daily Mail (RDM), which is probably the South African paper best-known abroad, is losing about R7m (\$6.5m) a year.

The shakeout has already begun. In the past month two small Afrikaans-language dailies in Pretoria have folded and Die Transvaler, which used to be the Transvaal flagship of the ruling National Party, has been taken off the streets of Johannesburg and transferred to the Pretoria afternoon market.

It is clear to everyone in the industry that this is the first of the inevitable changes. But the attitude of the various companies is neatly summed up by Mr. Hal Miller, managing director of the Argus Group (whose flagship is the Star). He says: "We think there are too many newspapers, but we're not about to get rid of any of ours."

There are of course the usual emotive reasons for not wanting to close a newspaper, but on top of these each of the publishing groups is worried that a decision to take one of its own titles off the streets would create an opening for a commercially—and politically—hostile competitor.

The best example of working of this dilemma at the moment is in Johannesburg, where the RDM, which used to be the

most outspoken and articulate critic of Apartheid and the National Party Government, has been slipping badly in recent years.

The RDM's failure to establish a cohesive readership profile has discouraged advertisers, who pay for a circulation of 110,000 but reach only a fragment of the market they are aiming at in any specific reader group. Its critics argue that one of the RDM's big mistakes has been to try to be all things to all men, from black blue-collar commuters to white suburban housewives and Johannesburg businessmen.

The RDM's proprietors, South African Associated Newspapers (SAAN), have promised that the paper will not be closed—although the board was said to have come close to that decision last December—and that it will continue to support the Opposition. One key reason for the decision to soldier on would be to prevent the rump of the English-language morning paper from falling into the lap of the Citizen, the paper set up with secret Government funds in 1973.

The Citizen, though English-language, is owned by the Perskor group, which is also the proprietor of the three Afrikaans papers involved in last month's rationalisation. It is still losing money, about R5m a year, it is believed, but both its circulation and its readership group quality are slowly picking up.

Middle-class English-speaking Transvalers are no longer so reluctant to admit that they buy the Citizen, whose editorial line is generally, though not always, pro-Government.

SAAN has said that it is currently assessing what to do. Journalists and others in the business in Johannesburg

believe that the company has three main options:

● To concentrate on the black readers who now account for more than half the RDM readership.

● To convert the RDM into a business-orientated daily paper (SAAN has a consultancy agreement with a commercial division of the Financial Times).

● To set up a single national morning paper, putting together the RDM as well as SAAN's morning dailies in the coastal cities, employing a system of regional editions. The possible savings on staff and administration are substantial.

SAAN's operating profit declined to R8.8m last year, from R12.5m in 1981, and that profit was dependent on the Sunday Times and the Financial Mail.

Among the other groups, Perskor is the most troubled. Its operating income slumped to R3.8m in the six months to last December, from R6.8m in the same period of 1981. Roughly a quarter of its earnings are believed to have come from its half-share in Rapport, a successful Afrikaans Sunday newspaper, and almost all the rest from lucrative printing contracts (many from the Government), a book division and magazines.

Perskor's main rival, Nasionale Pers, although the smallest of the four main newspaper groups, has recently emerged as the most dynamic and successful.

Based in Cape Town, its attack on the Transvaal market since the mid-1970s ranks as one of the most remarkable business success stories in South Africa.

Nasionale's Transvaal morning paper, Beeld, began publication in 1974, and within five years had overtaken Die Transvaler's circulation.

Beeld's future seems assured. Almost immediately on Die Transvaler being moved to Pretoria, Beeld teleaxed notice of a 33 per cent advertising rate increase to agencies. But despite the ferocity of its attack on Perskor, Nasionale would probably stop short of any attempt to take it over or force it out of the newspaper market altogether.

Perskor's generally more conservative newspapers are a useful vehicle for the Government to push its line, leaving the Nasionale papers free to be a little more independent,



although they generally support Government policies. One newspaper analyst argues that Nasionale Pers is worried about the prospect of being too closely tied to the National Party. "If Perskor goes, Nasionale will become his master's voice," he says.

Looming on the sidelines is the Argus group, which holds 39 per cent of SAAN shares but, under Government pressure, has relinquished most of its voting rights and withdrawn its nominees from the SAAN board.

All of Argus's largest titles are profitable, and there is thus no urgent need for dramatic changes.

Argus would probably be moved to action only by a threat to dislodge the Star (perhaps coming from a SAAN national morning paper) from its position as South Africa's largest daily. In that event, Argus might turn the Star into the much mooted 24-hour paper, despite the cost and high risks of such a venture.

Meanwhile, Argus is pressing ahead with an active diversification programme. It owns 50 per cent of Carlton, a highly successful distributor of suburban free sheets whose profits are bounding up much faster than those of the group's newspaper business. Other interests include television production and editing unit, video production facilities and a computerised advertising and information service.

| Morning publication | Publisher | Language | July-Dec. 1982 | July-Dec. 1976* |
|---------------------|-----------|-----------|----------------|-----------------|
| Rand Daily Mail | SAAN | English | 109,270 | 151,916 |
| Sowetan | Argus | English | 89,120 | 159,128 |
| (formerly World) | | | | |
| Beeld | Nasionale | Afrikaans | 75,982 | 50,092 |
| The Citizen | Perskor | English | 65,602 | 42,418* |
| Die Transvaler | Perskor | Afrikaans | 38,780 | 65,831 |

| | Publisher | Language | July-Dec. 1982 | July-Dec. 1976* |
|-----------|-----------|-----------|----------------|-----------------|
| The Star | Argus | English | 177,200 | 183,794 |
| Vaderland | Perskor | Afrikaans | 34,007 | 40,222 |

* Figures for The Citizen are for July-Dec. 1977. † Transferred to Pretoria this month.

Handwritten note: 5000000000



The Council of The Stock Exchange in London has admitted all the free B-series shares of Perstorp AB to the Official List. Following a rights issue of 570,240 new B-series shares approved at the annual general meeting of Perstorp AB held on 29th January, 1983, its share capital will be as follows:

| | Issued, or reserved for issue | No. of shares of SEK 50 nominal value each |
|-----------------|-------------------------------|--|
| A-series shares | restricted | 397,440 |
| | free | 34,560 |
| B-series shares | restricted | 2,350,080 |
| | free | 269,120 |
| | | 3,051,200 |

In accordance with a resolution passed at the annual general meeting referred to above, it is expected that in June 1983 each existing share of nominal value SEK 50 will be subdivided into two new shares of nominal value SEK 25 each. Particulars relating to Perstorp AB are available in the statistical service of Exel Statistical Services Limited and may be obtained during normal business hours (Saturdays and public holidays excepted) up to and including 15th April, 1983 from:

| Sponsors to the introduction: | Brokers to the introduction: |
|---|--|
| Enskilda Securities Standardinvestor Enskilda Limited 26 Finsbury Square, London EC2A 1DS. | Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB. |
| Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN. | Grieseson, Grant and Co., 59 Gresham Street, London EC2P 2DS. |

29th March, 1983.

This announcement appears as a matter of record only



European Coal and Steel Community (E.C.S.C.)

BF 936,000,000
Private placement 13% 1983-1995Arranged by
BENELUX BANK

March, 1983

NEW ISSUE

These Notes having been sold, this announcement appears as a matter of record only.

MARCH 1983

U.S. \$125,000,000

Province of Saskatchewan

10% Notes Due 1990



Credit Suisse First Boston Limited

Banque Nationale de Paris

Deutsche Bank Aktiengesellschaft

Orion Royal Bank Limited

Salomon Brothers International

Société Générale de Banque S.A.

S. G. Warburg & Co. Ltd.

Wood Gundy Limited

| | | | | |
|---|--|--|---|---|
| Algemeen Bank Nederland N.V. | American Express Bank | Amro International | Arnold and S. Bleichroeder, Inc. | Julius Baer International |
| Banca Commerciale Italiana | Banca del Gottardo | Bank of America International | Bank für Gemeinwirtschaft | Bank Leu International Ltd. |
| Bank of Tokyo International | Bankhaus Gehrder Berthmann | Bankhaus Gehrder Berthmann | Bankhaus Gehrder Berthmann | Bankhaus Gehrder Berthmann |
| Bank Générale de Luxembourg S.A. | Bank Indosuez | Bank Internationale à Luxembourg | Bank de Neufville, Schumacher, Mallet | Bank de Neufville, Schumacher, Mallet |
| Bank Paribas | Bank Populaire Suisse S.A. Luxembourg | Bank de l'Union Européenne | Bank Worms | Barclays Bank Group |
| Barings Brothers & Co. | Beas, Stearns & Co. | Berges Bank International S.A. | Berliner Handels- und Frankfurter Bank | Berliner Handels- und Frankfurter Bank |
| Bliss Bankman Paine Webber | B.S.I. Underwriters | Burns Fry Ltd. | Caisses des Dépôts et Consignations | CIBC |
| Chase Manhattan Capital Markets Group | Chemical Bank International Group | CIBC | Citibank Capital Markets Group | Citibank Capital Markets Group |
| Commerzbank | Continental Illinois Capital Markets Group | Copenhagen Handelsbank A/S | County Bank | Crédit Commercial de France |
| Crédit Lyonnais | Crédit du Nord | Crédit (at) Bank-credit | Dai-ichi Kangyo International | Daiwa Europe |
| Den norske Creditbank | Deutsche Girozentrale | Deutsche Girozentrale | Dominion Securities Ams | Dresdner Bank |
| Effectenbank-Warburg | Europäische Kreditanstalt | Europäische Kreditanstalt | Europäische Kreditanstalt | Europäische Kreditanstalt |
| Girozentrale und Bank der Österreichischen Sparkassen | Goldman Sachs International Corp. | Hambros Bank | Handelsbank N.W. (Overseas) Ltd | Handelsbank N.W. (Overseas) Ltd |
| Hill Samuel & Co. | The Hongkong Bank Group | E. F. Hutton International Inc. | Kanabits International Bank S.A. | Kanabits International Bank S.A. |
| Klüber, Peabody International | Kleinwort, Benson | Kreditbank N.V. | Kowit Foreign Trading Contracting & Investment Co. (S.A.E.) | Kowit Foreign Trading Contracting & Investment Co. (S.A.E.) |
| Kowit International Investment Co. a.s. | Kowit Investment Company (S.A.E.) | Lazard Frères et Cie | Lehman Brothers Kuhn Loeb | Lehman Brothers Kuhn Loeb |
| Lazard, Beaulieu Inc. | Lloyds Bank International | Lehman Oldier International S.A. | LTCS International | Manufacturers Hanover |
| McLeod Young Weir International | Merrill Lynch International & Co. | Middleton Doherty | Mitsubishi Bank (Europe) S.A. | Mitsubishi Bank (Europe) S.A. |
| Samuel Montagu & Co. | Morgan Grenfell & Co. | Morgan Guaranty Ltd | Morgan Stanley International | Nesbitt, Thomson |
| The Nikko Securities Co. (Europe) Ltd. | Nomura International | Nordic Bank PLC | Österreichische Länderbank | Pictet International Ltd |
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| J. Vostojel & Co. | | | | |

NEW ISSUE

These Debentures having been sold, this announcement appears as a matter of record only.

MARCH 1983

U.S. \$150,000,000

Credit Suisse (Bahamas) Limited

(Incorporated in the Bahamas)

10% Guaranteed Debentures Due 1990

Guaranteed by

Credit Suisse

(Incorporated in Switzerland)

Credit Suisse First Boston Limited

Citicorp Capital Markets Group

Deutsche Bank Aktiengesellschaft

| | | | |
|---|--|--|---|
| Alm Dinkel Investment Company | Algemeen Bank Nederland N.V. | Amro International | Arab Banking Corporation (ABC) |
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| Bank of America International | Bank Centrale Switzerland (C.L.) | Bank für Gemeinwirtschaft | Bank Leu International Ltd. |
| Bank of Tokyo International | Bankhaus Gehrder Berthmann | Bankhaus Gehrder Berthmann | Bankhaus Gehrder Berthmann |
| Bank Paribas | Bank Populaire Suisse S.A. Luxembourg | Bank de l'Union Européenne | Bank Worms |
| Barings Brothers & Co. | Beas, Stearns & Co. | Berges Bank International S.A. | Berliner Handels- und Frankfurter Bank |
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| Commerzbank | Continental Illinois Capital Markets Group | Copenhagen Handelsbank A/S | County Bank |
| Crédit Lyonnais | Crédit du Nord | Crédit (at) Bank-credit | Dai-ichi Kangyo International |
| Den norske Creditbank | Deutsche Girozentrale | Deutsche Girozentrale | Dominion Securities Ams |
| Effectenbank-Warburg | Europäische Kreditanstalt | Europäische Kreditanstalt | Europäische Kreditanstalt |
| Girozentrale und Bank der Österreichischen Sparkassen | Goldman Sachs International Corp. | Hambros Bank | Handelsbank N.W. (Overseas) Ltd |
| Hill Samuel & Co. | The Hongkong Bank Group | E. F. Hutton International Inc. | Kanabits International Bank S.A. |
| Klüber, Peabody International | Kleinwort, Benson | Kreditbank N.V. | Kowit Foreign Trading Contracting & Investment Co. (S.A.E.) |
| Kowit International Investment Co. a.s. | Kowit Investment Company (S.A.E.) | Lazard Frères et Cie | Lehman Brothers Kuhn Loeb |
| Lazard, Beaulieu Inc. | Lloyds Bank International | Lehman Oldier International S.A. | LTCS International |
| McLeod Young Weir International | Merrill Lynch International & Co. | Middleton Doherty | Mitsubishi Bank (Europe) S.A. |
| Samuel Montagu & Co. | Morgan Grenfell & Co. | Morgan Guaranty Ltd | Morgan Stanley International |
| The Nikko Securities Co. (Europe) Ltd. | Nomura International | Nordic Bank PLC | Österreichische Länderbank |
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| Union de Banques Arabes et Françaises - U.B.A.F. | Westdeutsche Landesbank | Yamaichi International (Europe) | Yamaichi International (Europe) |
| J. Vostojel & Co. | | | |

Good Relations profits jump 90%

**Midland Bank has met the challenges
of 1982: our business plan is to
move forward from the firm base
we have now established.**

43
014

Donald Baron

Donald Barron

Midland Bank Group

Sir Donald Barron's full statement and the report for 1982 are available from: *The Secretary, Midland Bank plc, Head Office, Poultry, London EC2P 2BX*

BIDS AND DEALS

Ray Maughan looks at Charter's takeover of Anderson Strathclyde

Trump cards take every trick

ON MAY 27 1980 the broking firm of Rowe and Pitman went into the stock market and purchased 10m Anderson Strathclyde shares at 92p. That gave its client, the industrial investment and mining finance group, Charter Consolidated a 28.4 per cent stake in the coal face equipment manufacturer.

On March 25 1983 Rowe and Pitman went into the stock market again. Once more it was buying Anderson Strathclyde shares on behalf of its client, Charter Consolidated.

Rowe and Pitman has developed an enviable reputation in market operations of this kind. Once, in the days of the so-called "dawn raid," its early morning cold canvas hardly missed; businesses changed hands if not before breakfast, certainly before mid-morning coffee.

Yet the rules on dawn raids have tightened and Rowe and Pitman knew that as well as any other firm.

On the morning of March 25, its institutional teams were instructed to ring clients they knew to hold Anderson shares and let them know that Charter was preparing to offer an effective price of 199p to give the jobbers something—but the pitch was not to be driven home too hard.

Even Rowe and Pitman was somewhat surprised at the success of its telephone round. Within an hour, two no more, Anderson Strathclyde was in Charter's hands.

It had been clear from early in the New Year when Charter was permitted to re-open its earlier bid for Anderson that the coal equipment manufacturer was going to go—if the

bidder came up with acceptable terms.

The first bid was pitched at 139p. That was last spring when Anderson was valued at £64m.

Much has changed over the intervening months. A long Monopolies Commission enquiry recommended against the deal for reasons which had something to do with Anderson's prominent position in the Scottish manufacturing economy, and very much more to do with the group's position as a substantial employer of an exporter operating in an otherwise depressed regional area. The issue had far more to do with industrial regeneration in run-down regions—any region—than Tartan nationalism.

When it came to the crunch, the Secretary of State for Trade, Lord Cockfield ruled himself out of any decision in view of his delegated role to Mr Peter Rees, the Minister for Trade. Mr Rees, a barrister by training and known to his staff for his ability to take a brief very quickly, overturned the Monopolies Commission. Charter could take another bite at a target which had suddenly become a very sensitive subject indeed.

The new bid, when it came out, was pitched at 200p per share, or 255m in total, and Charter was able to buy one or two more percentage points of Anderson's equity.

That looked fair enough, depending on shareholders' views as to the future of the international coal equipment market. The prognosis generally was that the level of orders would be dropping quite significantly in this year and next, particularly in the U.S. and for National Coal Board customers, and certain fund managers indicated pri-

vately that 200p was quite good enough for them.

Anderson, however, still had time to go on the offensive. Its defence document may be reckoned to be one of the most robust of its kind. Its core was the forecast that Anderson would make £15.5m in the year to March 31, 1983 against pre-tax profits of £11.3m previously. Nothing specific was said about the following year but the outlook was said to be good.

As recently as last Thursday, the general City consensus was that Charter had made a solid cash bid but the big funds had learned enough from earlier dawn raids to hold out for the full term of the offer. Last Thursday, the funds knew, was just the first closing date of the offer; a bid has a full 60 days to run before expiry.

However, Charter had two trumps in its hand. It was aware that Anderson's shares were concentrated in a very few hands and it suspected that a firm announcement that 200p was the top price would possibly flush those holders out. The trumps were laid and, to Charter's possible surprise, they proceeded to take every other important trick.

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The KIO is run by Scottish chartered accountants and both sides reckoned to know each other rather well. Yet Anderson was never given a chance to say how well it would do in the year to March 1984 let alone outline its interim profits to next September.

Perhaps the secretive KIO, having made up its mind that 200p was the best offer available, was afraid that Charter would suddenly withdraw its bid. It cannot have been unaware that the coal machinery outlook was flat or worse and some of the more cold-blooded engineering analysts in the City had scaled down their 1983-84 forecasts to about £9m pre-tax. The new U.S. business, National Mine Service, was losing money and would bear heavy interest charges. Whatever the case, Anderson was effectively sold last Friday morning. The KIO had sold its 10.3 per cent holding.

The response from Anderson was one of "bitter disappointment." For Rowe and Pitman, last Friday's action was a "good piece of broking" which earned a healthy commission. Perhaps the last comment should go to a manager of a very large fund, responsible to British policyholders, who was

no more than marginally involved as a shareholder in this case.

If his view are in any way mirrored by his institutional peers then it is unlikely that funds investing on behalf of purely domestic interests would have accepted Charter's terms last week. Acknowledging Anderson's status as one of the key suppliers to the National Coal Board, the fund manager said "we usually give the defending board as much chance as possible."

In this instance, he said, "we were only a tiddler. We have to keep our head down and pray for better times."

BELLAIR COSMETICS
Fenton Hill Group has confirmed that talks, which may lead to the sale of its controlling interest in Bellair Cosmetics are continuing with various interested parties.

CAPITAL & COUNTIES
Capital and Counties has sold 34, Old Queen Street to the W. R. Smith Pension Trust for £125m.

The whole property is leased to Ferguson Industrial Holdings for 25 years at rent of \$67,500 per annum, subject to five-yearly reviews.

Pennine Commercial has £8.7m deficiency

Pennine Commercial Holdings, Manchester-based travel, motor and estate development group, had an estimated net deficit on share capital and reserves of £8.7m at November 30 1982, according to the offer document from the newly-formed Edenspring group.

Pennine also suffered a loss of £2.48m in the year ended February 28 1982, the document revealed.

The company has faced a major crisis following the collapse of a large creditor, the issue of Man-based Savings and Investment Bank in June last year. Mr Temple Melville, the newly appointed managing director, recently detailed plans for the financial reconstruction of Pennine.

The company's auditors, Binder Hamlyn, qualified its accounts, stating that it had breached certain conditions attached to its stock because the losses meant its capital and reserves were insufficient to support borrowing limits.

The auditors said they had not received evidence as to the title to certain properties valued at £865,000 nor were they satisfied as to value attributed to properties amounting to £200,000.

Provision had not been made for the depreciation of certain properties but this departure from standard accounting practice did not have a material effect on the results. Supplementary current cost accounts had not been prepared as required.

Pennine said the Edenspring, which is to acquire Pennine, had reached an agreement with Amex to buy Pennine's indebtedness of £585,000, for £350,000.

Pennine also revealed details of the settlement reached with airline creditors from which it bought, leased or hired four aircraft.

It has reached a settlement worth £45,000 each to Greyhound Equipment Finance, British Caledonian Airways and British Air Ferries Group (BAF) to meet an aggregate claim of £2.3m. It has also mortgaged a site in West Yorkshire to BAF.

A comparable settlement has been reached with British Aerospace to meet a claim of £2.7m, Pennine added.

KCA SCHEME
The oil interests of KCA International will be taken over by a new publicly-listed company called Newco under the restructuring programme announced last month by KCA chairman, Mr Paul Bristol.

Newco will hold all the shares of KCA Drilling as well as those of BW Mud and certain other related assets and liabilities. KCA announced yesterday.

The shareholders of Newco will be the present members of KCA International and the public shareholders of KCA Drilling. Mr Bristol will acquire the group's non-oil operations.

Discussions are proceeding satisfactorily but tax and Court approval for the scheme as well as the agreement of bankers and major creditors is required. Documents and audited accounts for the two KCA companies should be available in early May.

Japanese acquire 47% of UK money broker

Tullett & Riley International, the largest of the few remaining private firms in the London money-broking community, has formed a close business association with The Tokyo Forex company, with the Japanese company taking a 47 per cent stake in the UK money broker.

At the same time London Trust has entered into an agreement to sell its 25 per cent holding in Tullett & Riley to Tokyo Forex for £4m. London Trust exercised its option to take up the 25 per cent stake in Tullett & Riley in June 1982 for £3.07m.

Tokyo Forex will also purchase shares from certain Tullett & Riley principals, and an exchange of shares has been arranged whereby Tokyo Forex will acquire a total of 47 per cent of Tullett and the latter 15 per cent of Forex.

The Bank of England has confirmed that the UK "recognised broker" status of Tullett & Riley International will not be affected by the transaction.

Tullett & Riley will change its name to Tullett & Tokyo Forex International. Forex will appoint one full-time director and two part-time directors to the board of this company and Tullett & Riley will appoint one director to the board of Forex.

There will also be an exchange of brokers between Forex and Tullett & Riley. Tokyo Tansai, previously a major shareholder in Forex, no longer retains a

shareholding in the restructured Forex.

In Singapore, an understanding has been reached in principle to set up a new company between Degani, Tullett & Riley (Singapore), an associate company of Tullett & Riley International, and K-T Forex, an associate company of Tokyo Forex. Details of the new deal are to be announced shortly.

Both groups said yesterday that the merger will be of great benefit and allow them to expand their business. Forex will have access to London and the major international financial centres through Tullett & Riley's international network. Tullett & Riley said that it considerably strengthens its presence in the Far East and leaves it "well placed to take advantage of the internationalisation of the Tokyo market."

London Trust said yesterday that its disposal enabled it to realise a substantial profit on an investment acquired only last June. Tullett & Riley was not contemplating a listing for some time and the deal will release funds for reinvestment which to date have not been generating dividend income.

"Our relationship with the Tullett & Riley board has been most cordial, but they had their own ideas for international expansion confined to their specific field of endeavour."

Leisure Industries shares rise 38p on bid talks

The shares of Leisure Industries Group, rose 38 p to 300p yesterday following an announcement that the company is holding discussions which might lead to a bid.

Leisure Industries, which makes snooker tables and toys, said it would make a further announcement as soon as a move was possible. The sharp price rise gave the USM-quoted company a

market capitalisation of £8m. It announced a £33,000 increase in pre-tax profits to £272,000 in the six months ended September 30 1982 on turnover £1m higher at £3.1m.

Leisure recently began a move up-market, doubling the top retail price of its snooker tables to £200, and launched a new keep-fit range of products called "Shape Up."

This announcement appears as a matter of record only.

GULLFAKS A OIL AND GAS PRODUCTION PLATFORM £70.5M LINE OF CREDIT



Den norske stats oljeselskap a.s.



Norsk Hydro Produksjon a.s.

Managed by and Funds provided by:

Williams & Glyn's Bank plc



Guaranteed by

Export Credits Guarantee Department

March 1983

DELTA GROUP public limited company

1982 Results in brief

electrical equipment, fluid controls, metals, services to the resource industries, world-wide

| | 1982 | 1981 |
|--|---------|---------|
| Sales | £508.0m | £481.9m |
| Profit before tax | £14.5m | £12.7m |
| Taxation | £9.9m | £10.5m |
| Profit attributable to ordinary shareholders | £4.9m | £1.2m |
| Earnings per ordinary share | 3.4p | 0.9p |
| Ordinary dividends per share for year | 3.40p | 3.64p |

* U.K. trading profits increased by 126%

* Overseas profits lower due to recession

* Borrowings down at £88m

DELTA

Copies of the annual report available from the Company Secretary, 1 Kingsway, London WC2B 6XF

LALMO

Results for the year ended 31 December 1982

INCREASED PROFITS MAJOR ACQUISITIONS

| | 1982 £MILLION | 1981 £MILLION |
|---------------------|---------------|---------------|
| PROFIT BEFORE TAX | 123 | 113 |
| PROFIT AFTER TAX | 36 | 33 |
| CAPITAL EXPENDITURE | 44 | 43 |
| ACQUISITIONS | 199 | 6 |

Acquisitions include production and exploration interests in North Sea, USA, Indonesia, Australia and other areas.

1 FOR 3 RIGHTS ISSUE TO RAISE £44 MILLION WAS ANNOUNCED ON 10 MARCH 1983

For 1982 Annual Report apply to the Company Secretary.

London & Scottish Marine Oil PLC

Bastion House, 140 London Wall, London EC2Y 5DN Telephone: 01-600 8021

BASE LENDING RATES

| | | | |
|-------------------------|---------|------------------------|---------|
| A.B.N. Bank | 10 1/2% | Guinness Mahoe | 10 1/2% |
| Al Baraka International | 10 1/2% | Hambro Bank | 10 1/2% |
| Allied Irish Bank | 10 1/2% | Heritable & Co. Trust | 10 1/2% |
| Amro Bank | 10 1/2% | Hill Samuel | 10 1/2% |
| Arbuthnot Leitham | 10 1/2% | Hoare & Co. | 10 1/2% |
| Armo Trust Ltd. | 10 1/2% | Hongkong & Shanghai | 10 1/2% |
| Associates Cap. Corp. | 11 % | Kingsnorth Trust Ltd. | 12 % |
| Banco de Bilbao | 10 1/2% | Knowsley & Co. Ltd. | 11 % |
| Bank Hapoalim BM | 10 1/2% | Lloyds Bank | 10 1/2% |
| BCCI | 10 1/2% | Mallinell Limited | 10 1/2% |
| Bank of India | 10 1/2% | Edward Morgan & Co. | 11 % |
| Bank Leumi (UK) plc | 10 1/2% | Midland Bank | 10 1/2% |
| Bank of Cyprus | 10 1/2% | Morgan Grenfell | 10 1/2% |
| Bank Street Sec. Ltd. | 10 1/2% | National Westminster | 10 1/2% |
| Banque Paribas Ltd. | 10 1/2% | Norwich Gen. Trst. | 10 1/2% |
| Banque de Rome | 11 1/2% | P. S. Refson & Co. | 10 1/2% |
| Barclays Bank | 10 1/2% | Royal Trust Co. Canada | 10 1/2% |
| Beneficial Trust Ltd. | 11 1/2% | St. James's Place | 10 1/2% |
| Brenar Holdings Ltd. | 11 1/2% | Standard Chartered | 10 1/2% |
| Brit. Bank of Mid. East | 10 1/2% | Trade Dev. Bank | 10 1/2% |
| Brown Shipley | 11 % | Trustee Savings Bank | 10 1/2% |
| Canada Term Trust | 11 % | United Bank of Kuwait | 10 1/2% |
| Castle Court Trust Ltd. | 11 % | Volkswagen Leasing | 10 1/2% |
| Cayzer Ltd. | 10 1/2% | Westpac Banking Corp. | 10 1/2% |
| Cedar Holdings | 11 % | Whitaker & Tomes | 10 1/2% |
| Charterhouse Japhet | 10 1/2% | Williams & Glyn's | 10 1/2% |
| Choulaton | 10 1/2% | Winftrust Secs. Ltd. | 10 1/2% |
| Citibank Savings | 11 1/2% | Yorkshire Bank | 10 1/2% |
| Clydesdale Bank | 10 1/2% | | |
| C. E. Coates | 11 % | | |
| Coma Bank | 10 1/2% | | |
| Consolidated Credits | 11 % | | |
| Co-operative Bank | 10 1/2% | | |
| The Cyprus Popular Bank | 10 1/2% | | |
| Dunlop Bank | 10 1/2% | | |
| E. T. Trust | 11 1/2% | | |
| Exeter Trust Ltd. | 11 1/2% | | |
| First Nat. Fin. Corp. | 13 1/2% | | |
| First Nat. Secs. Ltd. | 13 1/2% | | |
| First Nat. Secs. Ltd. | 13 1/2% | | |
| Grindlays Bank | 10 1/2% | | |

GOPENG CONSOLIDATED p.l.c.

CHAIRMAN'S STATEMENT

In my Statement last year shareholders were informed that an Agreement had been concluded with the Parak State Development Corporation covering the renewal of the Company's Mining Leases, and the conversion of certain areas of agricultural land to mining. The Agreement provides for the Company with a mining life in the Gopeng area of Perak for approximately ten years. This Agreement is conditional on the necessary consents being obtained from the Authorities in Malaysia.

It has now become apparent that the granting of these consents will be dependant upon the Company meeting the present requirements of the New Economic Policy in respect of the introduction of local shareholders in addition to the proposed issue under the terms of the Agreement with PSDC, and also the transfer of residence of Gopeng to Malaysia.

The Board and its advisers are currently developing proposals to satisfy the requirements of the Malaysian Authorities whilst at the same time safeguarding the best interests of shareholders. The proposals, along with the Agreement with PSDC, will be subject to the approval of shareholders in General Meeting.

The Consolidated Accounts for the Group's financial year ended 30th September, 1982 show a gross mining profit before depreciation of £2,245,000 compared with £2,378,271 for the previous year. The higher mining profit for the year under review was due mainly to increased production. Yields from the Estates were lower than anticipated due to the cessation of Sunday tapping from 1st March, 1982.

After taking into account investment and sundry income, and allowing for depreciation and other charges, the overall profit from the mine and estates amounts to £2,543,498 before taxation, exchange adjustments and the minority interest. After these have been taken into account there remains £1,529,116, the ultimate balance from which dividends of 20 pence per share have been declared (compared with 17 pence in 1980/81).

1,539.85m. tons of tin ore were produced by Gopeng, whilst Mambang produced 494,522m. tons.

In the first four months of the current financial year 749,44m. tons of tin ore have been produced by the Company and Mambang, compared with 766,12m. tons during the corresponding period last year.

On the 27th April, 1982 to counter the deteriorating situation of over-production, the International Tin Council imposed restriction amounting to 15% of producing members' exports for the second quarter of 1982, which was increased to 38% for the third and fourth quarters and for the first quarter of 1983 respectively.

Since the introduction of Tin Export Control, operations at the mine have continued on full scale, are surplus to Sales Quota being used to build up stocks, which at the year-end amounted to 271.4m. tons with a further 58.14m. tons held by Mambang.

In the fields of exploration and prospecting the General Managers continued to carry out investigation of possible new mining areas in overseas territories.

Whilst the results achieved for the year under review may be regarded as being satisfactory and in line with our estimates, for the current year the likelihood of continuing Export Control and present levels of production, the closure of some of the Company's producing units on the accumulation of maximum permissible stocks under the Tin Control Regulations.

Profitability will be dependant upon the amount of quota available.

J. D. HELLINGS, Chairman

16th February, 1983.

PRESS RELEASE

At the annual meeting of Banque Internationale de Gestion et de Trésorerie, shareholders approved the 1982 accounts. As the bank started its operations during the second half of 1981, this was its first full financial year.

On December 31, 1982, balance sheet amounted to FRF. 4,997 million against 2,005 million the previous year.

Net income after tax increased from FRF. 2.33 million to 7.79 million. This was reached after provisions of 11.17 million, in particular to account conservatively for deferred taxation on accrued interest due in 1984 on the bond portfolio.

A 5% initial dividend was declared, amounting to FRF. 50 per share plus a tax credit of FRF. 25.

Finally, on a proposal of the Board of Directors, the General Assembly decided to provide for an "Optional Reserve" in the accounts amounting to FRF. 3 million for the year.

Grindlays Eurofinance B.V.

U.S. \$100,000,000

Guaranteed Floating Rate Notes 1992

Guaranteed on a subordinated basis by



Grindlays Bank p.l.c.

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period 29th March, 1983 to 25th September, 1983 the Notes will bear interest at the rate of 5 1/2% per annum. The Coupon Amount per U.S. \$100,000 Note will be U.S. \$5,079.16 and the Coupon Amount per U.S. \$100,000 Note will be U.S. \$5,079.22.

The Interest Payment Date will be 25th September, 1983.

Agent Bank

Samuel Montagu & Co. Limited

MINING NEWS

The base metal miners take a cautious line

BY KENNETH MARSTON, MINING EDITOR

WHILE ECONOMIC and other indicators point to a gathering recovery in the U.S. and the U.K., the base metal producers take a cautious view of things. Canada's No 2 in the nickel business, Falconbridge, expects "stiff competition" for years to come. This is the result of the past decade's increase in the number of nickel producers and a considerable reduction in the annual growth rate of nickel consumption, reports John Sogamich from Toronto.

By the fourth quarter of last year the nickel producers were selling their metal at prices which, in real terms, were the lowest for more than 30 years. Average prices received by Falconbridge in 1982 fell 24 per cent to U.S.\$3.36 per pound for refined nickel products, and dropped 28 per cent to U.S.\$2.15 in the case of ferro-nickel.

Meanwhile, Inco, the No. 1 in nickel, is making a further offering of 5m shares at a price of U.S.\$12.575 (28.80) in order to reduce bank borrowings and for other general corporate purposes. This follows an offering of 6m shares in November and 6.9m shares in May of last year which between them raised U.S.\$125m (285.6m).

In the case of copper, the Rio Tinto-Zinc group's copper and gold-producing Bengoughville in Papua New Guinea expects 1983 to be another difficult year with no significant improvement in copper prices until the second half. It expects the recovery to be slower than was previously predicted.

The industry still retains its faith in the longer term, of course, and the Canadian Noranda group expects 1983 exploration and production group is hoping that investors feel the same way. It is aiming to raise C\$15m-C\$20m (25.4m-£11.2m) via an issue of common shares and share purchase warrants.

A preliminary prospectus has

Shares of De Beers were little changed yesterday at 50p following news that the Central Selling Organisation is to raise prices of rough (un-cut) gems by an overall 24 per cent as from April 5. The move had been discounted by rumours circulating on Friday. Minerals and Resources Corporation (Minresco), however, dropped 11p to 72p on the half-year loss of £12.23m (23.5m). This was despite the major Anglo American group investment company's forecast that for the full year there will be a profit matching that of 1981-82 and that the dividend total should be maintained.

been filed regarding the issue which will be underwritten by a group led by two leading Canadian brokers, Woody Gundy and Burns Fry. The new funds will be used initially to reduce debt and, over the longer term, to finance an expansion at the company's Chibougamau, Quebec, gold-copper mines.

A more ambitious raising of C\$150m (£85.4m) via the equity market is proposed by Canada's Placer Development natural resource group. It is offering 6m common shares and 5m common shares at U.S.\$12.50 (28.80) in the form of units at C\$25.50 (£14.23) comprising one share and one-half purchase warrant.

Each full warrant will entitle the holder to purchase a share at C\$25.50 up to end-September 1986. Noranda Mines, which owns about 33.3 per cent of Placer, intends to purchase 360,000 units, leaving it with a stake of some 30.5 per cent of Placer.

Placer says that it will use the new funds to take advantage of investment opportunities as they arise, reduce bank debt and finance working capital requirements.

Business Computers moves ahead

A better second half enabled Business Computers Systems to raise 1982 pre-tax profits from £27,000 to £104,000, on turnover of £7.5m, against £5.24m. At half-way, taxable figures were £27,000, lower at £104,000.

The board considers the year's profits — which were in line with budgets — to be satisfactory in the light of higher dollar costs for some equipment. The current order book for 1983 stands above the level of this time last year.

During April the company — whose shares are traded on the USM — is launching a new range of multi-tasking personal computers for which considerable sales are expected, particularly through the dealer network.

After an increased tax charge of £150,000 (£38,000) net profits were lower at £39,000, compared with £389,000 which was before debiting an extraordinary item of £78,000 for share issue and placing costs.

Stated earnings per 10p share slipped from 6.6p to 6.1p, but the dividend is maintained at 1p net, costing £36,000 (£37,000) after waivers of £23,000 (£22,000).

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Midway rise for Newman-Tonks

INCLUDING A contribution from the American acquisition of last August, trading profits of the Newman-Tonks Group of metal hardware manufacturers rose from £225,000 to £148,000 in the six months ended January 31 1983.

The increase is mainly organic and although the general trading patterns remain competitive in most companies in the group, the company has benefited from the rationalisation programmes carried out during the last few years and will benefit further from those now planned.

An interim dividend of 1.65p is declared, as forecast, on the capital increased by the acquisition of Jeavons Engineering. The total is expected to be held at 5.1p.

The recent acquisition of Jeavons will strengthen the main core of the group. No figures therefrom are included in the half year figures, but merger accounting principles will be adopted in respect of the full year.

Monarch Hardware, the U.S. acquisition, will achieve budgeted profits for the year and it has introduced group products into America. Its contribution to the group half year profit is £225,000, less £128,000 for financing charges and group market development costs in the U.S. After £115,000 trading losses of £30,000 property sale surplus, the half year's pre-tax profit came to £1,000, compared with £955,000 previously. Tax takes £181,000 (£175,000), minority losses absorb £20,000 (credit £20,000), and extraordinary charges, this time £200,000, to leave the net attributable at £689,000 (£750,000). Earnings are shown at 4.53p (4.16p).

Extraordinary charges comprise £117,000 redundancy and severance payments attributable to relocation of activities, and £83,000 closure costs of discontinued activities.

The interim dividend costs £210,000 (same), plus £92,000 on the shares issued as consideration.

Eucalyptus Mills omits dividend as profits fall

IN AN extremely difficult year, trading profits of Eucalyptus Mills have been cut from £3.59m to £0.77m. And changing the method of dealing with un-realised exchange losses on long term foreign currency loans has virtually wiped out that, leaving a profit before tax of £38,348, against £3.42m in 1981.

The company, which operates through a subsidiary in Portugal, has decided not to pay a dividend for 1982. Earnings per 20p share were 3.8p, against 49.4p in 1981 when the payment was 6p net.

Provisions for unrealised exchange losses on long term foreign currency loans have been charged against trading profit, whereas in previous years they were treated as a deduction from reserves. Conversion of the escudo into sterling has been effected at Esc 142.3 to £1, compared with Esc 124.68 in 1981.

During the year the average dollar price per ton of pulp fell

by some 30 per cent in the world market due to shrinking demand and excess supply. The price of raw materials increased sharply. Borrowings had to be increased to provide more working capital, to meet the capital expenditure requirements of the mill re-equipment and afforestation programme.

At the end of the year capital employed totalled £14.3m, compared with £11.7m a year earlier. Shareholders' funds were £7.72m (£8.63m) and loans and other deferred liabilities came to £5.5m (£1.92m).

Oceanics

At an EGM of Oceanics, resolutions were passed increasing the authorised share capital from £1.7m to £3.5m, approving the proposed one for one capitalisation issue and approving the adoption of executive share option schemes.

87 companies wound up

Compulsory winding-up orders against 87 companies have been made by Mr Justice Vinelott in the High Court. They were:

ITP Universal (Holdings), A. D. Ely, Downsouth Products, Dovergrange, Delt Fresh, Al Nile Construction (UK), Jeyaraj Holdings (Manchester), Hatchbaks (Kingston), Mascom Systems, Flocks Roofing (Birmingham), County Drinks, Gilmour (Coventry), Dial-A-Plumber (South London), Essex Insulations, Nestrose, Seco Haulage, Tavistock Car Sales, Merat Maritime, Tru-View (Renals), Redhill, Grethourne, Twin Valley Engineering Services, Ramayin, Milton Keynes Boatbuilders, Stanley Catering, Tangreed, Ringtrend, Victor Cineas (R.S.W.) Entertainment.

D. Sullivan (Brickwork), Jimona Developments, Paper Rainbow Concessions, Sneton-court, Cash Homes (Hammer-smith), Swindon International Express, John A. Teasdale, Alan Moore.

Stanbret, Chandler Electrical Services, Elderfield & Crane, Universal Presentations, Phillips, Canway Trucking (UK), Sablegrove Builders Merchants.

Ayre Automobile Engineers, Galsboro, Packaging Security Supplier (UK), Alfred Street and Co., Ingway, Thurocroft

Door and Window Centre, Jones Years, Pole Properties, Boadicea International Travel Holdings, Centremount, Vernon Park Music, Euro-Tourist Plan, Wedgecraft, Crofton Hotel, Cardendfield, True Investments, Temtex Printers.

First Mail Order, King Spedition, Mannenworth, Geoff Eggs, International Mark, Schofield Supplies, Fashionglens, Rudkin Roofing, Goldforge, Computale, B. & B. Deliveries, Roben Construction, Gold Star Security Services (Kent), St Olaves Marina, Daga Music Group, Tripherd.

Rety, Alcotat Structures, One Stop Shop, Redair Travel, Sogamich, Malbaron, Kaye and Oppenor, Anglo-Universal Marketing Company, Dealgrove, Daresfield Brothers (Wine), Walktrent, and Langford Scott and Partners.

Compulsory winding up orders made against Tribute Trading Company (March 21), Wilton Road Caterers (March 21), Telford Shower Centre (March 14), and Warrens Records (March 14) have been rescinded and the petitions dismissed by court.

A compulsory order made against Mehta Fashions on March 21 was rescinded and the petition adjourned to April 25, with leave for a fresh petitioner to be substituted.

Cavvian wins fight against petition

Mr Jeffrey Port's Cavvian has finally secured the dismissal of a petition to have it compulsorily wound up, having survived three attempts.

By consent, Mr Justice Vinelott has dismissed the proceedings after counsel for the petitioner, Ronson Corporation, said the parties had reached terms.

Ronson, judgment creditor for US\$1.16m (£783,428), was third in line having been substituted as petitioner in February.

The petition proceedings last October were in the name of Car Hire (Hanover), which dropped out at the first hearing after being paid off.

Standard Chartered Bank, creditor for £3.02m (£1.78m), then carried on negotiations until February 14, when Ronson stepped into the breach as petitioner.

Altogether there have been hearings.

"Total Assets during 1982 increased by 26.95%"

Highlights from the speech delivered by the President, Sir Richard Denby, LL.B., D.L., at the Annual General Meeting of Bradford & Bingley Building Society, held in Bingley on 28th March 1983.

Outstanding Growth Record.

"The Society's total assets during 1982 increased by 26.95%—an increase of £473 Million to £2,228 Million.

Bradford & Bingley is able to record one of the highest expansion rates amongst the leading Societies. For the second successive year your Society has moved up the "league table" of Building Societies and in terms of total assets, now firmly occupies the position of ninth largest Building Society in the United Kingdom."

Investing Members.

"During the year the Society received £992 Million from investing shareholders and depositors and the number of investment accounts increased by 292,000 to 1.67 Million."

Reserves and Liquidity.

"The Society has achieved an increase in its reserve ratio from 3.87% of assets at the end of 1981 to 4.16% at the end of 1982. Total reserves now stand at £92.7 Million. Liquid funds, represented by investments and cash, increased by £67.6 Million to £390.1 Million."

Mortgage Lending.

"During the year mortgage advances totalled £487 Million, compared with £419 Million in 1981, an increase of 16%. The number of new mortgages rose by 9% to 28,773 of which 12,189 or 42% were to first time buyers.

During the year, £130 Million was advanced for Home Improvement purposes. These funds are available not only to existing borrowing members of this Society but to any home owner utilising our mortgage facilities."

Investment Products.

"In March, our highly successful Extra Interest



Account conditions were amended with the introduction of immediate withdrawal facilities, subject to twenty eight days loss of interest.

In November, the Society's investment portfolio was strengthened by the introduction of the "High Income Account" which provides a regular income coupled with a guaranteed differential rate of interest of 1% above the Ordinary share rate.

In addition, the Society continues to offer its two very successful insurance linked schemes, Prosperity Plan and Linkplan, which provide excellent returns combined with Life Assurance cover."

Mergers.

"During the year investing and borrowing members of four Societies recognised the benefits and advantages of joining your Society. On behalf of the Board, I extend a warm welcome to all former members and staff of Hearts of Oak & Enfield, Saddleworth Permanent, The Swansea Park Permanent and Target Building Societies, all of which transferred their engagements to the Society during 1982.

The largest of these Societies was the Hearts of Oak & Enfield Building Society with total assets approaching £150 Million. An important feature of the merger was the formation of a Regional Board."

Copies of the Report and Accounts can be obtained from the Secretary.



BRADFORD & BINGLEY

Chief Office: Bingley, West Yorkshire BD16 2LW.
A Member of the Building Societies Association.

This announcement appears as a matter of record only



Snam S.p.A.

U.S. \$ 30,000,000

Medium Term Loan

Funds Provided by

Bankers Trust GmbH

In association with

Banca Commerciale Italiana

London Branch

Bank of America N.T. & S.A.

Jersey Branch

Bankers Trust Company

Crédit Lyonnais

Istituto Bancario San Paolo di Torino

London Branch

Agent Bank

Banca Commerciale Italiana

London Branch

January 1983

INSURANCE & OVERSEAS MANAGED FUNDS

[illegible]

INSURANCE & OVERSEAS

| | | | |
|--|-------------|-----------------------------------|-------------|
| London A'Heen & NPM, Mil. Assur. Ltd. | | Property Growth Assur. Co. Ltd. | |
| 30 Abchurch Lane, W.C.2R 8NF. | 01-408 9793 | 30 Leadenhall Street, W.C.2R 1JH. | 01-400 0450 |
| Assets: £100,000 | | Property Fund | 100.00 |
| London Infidelity & Gen. Ins. Co. Ltd. | | Property Fund (A) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | | Property Fund (B) | 100.00 |
| Assets: £100,000 | | Property Fund (C) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (D) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (E) | 100.00 |
| Assets: £100,000 | | Property Fund (F) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (G) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (H) | 100.00 |
| Assets: £100,000 | | Property Fund (I) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (J) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (K) | 100.00 |
| Assets: £100,000 | | Property Fund (L) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (M) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (N) | 100.00 |
| Assets: £100,000 | | Property Fund (O) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (P) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (Q) | 100.00 |
| Assets: £100,000 | | Property Fund (R) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (S) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (T) | 100.00 |
| Assets: £100,000 | | Property Fund (U) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (V) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (W) | 100.00 |
| Assets: £100,000 | | Property Fund (X) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (Y) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (Z) | 100.00 |
| Assets: £100,000 | | Property Fund (AA) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (AB) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (AC) | 100.00 |
| Assets: £100,000 | | Property Fund (AD) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (AE) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (AF) | 100.00 |
| Assets: £100,000 | | Property Fund (AG) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (AH) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (AI) | 100.00 |
| Assets: £100,000 | | Property Fund (AJ) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (AK) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (AL) | 100.00 |
| Assets: £100,000 | | Property Fund (AM) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (AN) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (AO) | 100.00 |
| Assets: £100,000 | | Property Fund (AP) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (AQ) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (AR) | 100.00 |
| Assets: £100,000 | | Property Fund (AS) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (AT) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-408 9793 | Property Fund (AU) | 100.00 |
| Assets: £100,000 | | Property Fund (AV) | 100.00 |
| London Life Lohani Assur. Ltd. | | Property Fund (AW) | 100.00 |
| 100, Cannon St., London, E.C.4 3DF. | 01-4 | | |

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OFFSHORE AND OVERSEAS

chemistry
chemistry
chemistry

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French and German
farm ministers
profiled, Page 35

SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday March 29 1983

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WALL STREET

Fed casts an elusive shadow

RENEWED fears of a possible shift in monetary policy by the Federal Reserve overshadowed Wall Street's financial markets yesterday. Share prices traded quietly, finding it difficult to develop a general trend, while in the credit market yields steadied around the higher levels reached in late dealings on Friday, writes Terry Byland in New York.

At the close the Dow Jones industrial average was down 6.77 at 1133.32.

The Fed's Open Market Committee, which continues its meeting today, will be keenly watched for any hints of credit tightening.

Friday's announcement of money supply figures upset credit markets by confirming that the Fed had reduced its injection of capital into the markets over last week. The weekly money supply total was down but M1 totals remain above Federal Reserve targets.

Also keeping rates high yesterday was the continued firmness of the Federal Funds rate at 8 1/2 per cent. On Friday, Dr Henry Kaufman of Salomon Brothers warned that Fed Funds might rise as high as 9 per cent in the near term. But others doubt whether the Fed can afford

to see rates rise too high in case this damages the U.S. economic recovery.

The discount rate on the three-month Treasury bill edged up to 8.64 per cent from Friday's final 8.57 per cent. The six-month rate was 8.87 per cent compared with 8.61 per cent.

The Treasury long bond, the 10 1/2 per cent of 2012, eased by 1/8 to 9 1/4.

Other credit sectors had a quiet session. This week's calendar of corporate funding is relatively light but the March total of \$4.6bn, the heaviest since October, has proved a heavy drain and there is an inclination to wait and see how April develops.

Municipal bonds also looked inactive yesterday, with the market still absorbing the massive issue from Intermountain Power Agency.

In the equity market, turnover was thin and prices began to fall away towards the close. The sharpest fall of the day was in shares of Paradyne, which tumbled by \$8 1/2 to \$26 1/2 following an accusation by the SEC that the Florida-based company had illegally obtained a \$100m computer contract from a Federal Government department. Paradyne shares, which had failed to open on the New York stock exchange on Friday, headed the list of active stocks yesterday.

Waste Management remained active, awaiting developments on toxic waste disposal allegations, and closed \$3 1/2 down at \$44.

Medical care issues looked firm, a major feature being Hospital Corporation of America at \$51 1/4, a gain on the day of \$ 1/2.

IBM, the market's favourite share, added an early \$ 1/2 to \$102 1/2 but General Electric lost \$ 1/2 to \$104 1/2. Chrysler, whose offering of 12.5m shares has been increased to 20m, slipped by \$ 1/2 to \$16 1/2 and General Motors also shed \$ 1/2 to \$58.

Boeing, which this week offers \$100m in notes due 1988, held steady at \$40 1/2.

Sharp fall in gold mining issues marked a general easing in Toronto. Property groups also registered a decline but base metals, pipelines and utilities were generally firmer. Utilities, together with industrials, were among the weaker stocks in Montreal, however, where banks and papers showed modest advances.

FAR EAST

Appetite for rate cut grows

THE EMERGENCE yesterday of reports that the Bank of Japan was under government pressure to effect a substantial cut in the official discount rate - as part of a set of stimulatory measures said to be in the pipeline - took Tokyo stocks still further upward to previously unattained heights.

But the market's blue chips, which have seldom been to the fore in the advance of the past week or more, were this time additionally affected in many cases by moving ex-dividend. This served to depress the Nikkei-Dow market average by a notional 38.10 and held what would have been more than a 100-point rise to 88.82, taking the indicator to 8,387.51. Saturday had seen a 16.32 gain.

Volume reached an active 480m shares, and the stock exchange index improved 1.53 to 614.02.

The market had already made allowances for an expected half-point discount rate reduction from its present 5.5 per cent, but the talk yesterday was of a 0.75-point cut. This was later countered to some extent, however, by a report that the timing and size of any move had been left to the central bank's discretion.

Properties, insurers and paper pulps led the surge, followed by steels, trading houses, shipping lines and stocks linked with public spending programmes. Dealers said sentiment was also enlivened by the start of margin trading for settlement next month.

Nippon Express, volume leader on 43.07m shares traded, finished at ¥213 ex-dividend compared with a ¥202 Saturday close. The day's most notable gain was achieved by Meiji Milk, up ¥77 at ¥387 on reports that it has succeeded in extracting from a human cell an agent effective against thrombosis.

Toyota managed a ¥20 rise to ¥1,070 but Honda slipped the same amount at ¥842. Hitachi was ¥10 off at ¥790, as was Matsushita Electrical at ¥1,310.

Government bond prices declined in this trading as a result of a weaker yen and uncertainty over interest rates in Japan and the U.S. which bond managers expected to be an unsettling influence for some time.

The Finance Ministry sold ¥324.1bn of 7 per cent three-year national issues at auction, priced at an average 99.72 to yield 7.109 per cent.

Hong Kong was nervous ahead of a batch of corporate results due tomorrow from Hongkong Land, seven cents weaker yesterday at HK\$4.15; Cheung Kong, off 20 cents at HK\$9.15; Jardine Matheson, down the same amount at HK\$13.40; Swire Pacific, the A stock of which held at HK\$12; and Hutchison Whampoa, which managed a 10 cent gain to HK\$13.90.

The Hang Seng index shed 7.43 to 975.9.

A narrowly mixed picture emerged in Singapore, where buying support alternated with moderate profit-taking. The Straits Times industrial index eased 1.38 to 837.15.

The OCBC banking group, which reported marginally improved profits and a one-for-10 scrip, added 10 cents to S\$8.95. UOB, which achieved a better growth rate last year, slipped six cents to S\$4.20.

Taipei prices approached a four-year high on record turnover worth some U.S.\$86m, attributed by brokers there to lower oil prices and bank interest rates. The exchange index added 19.1 to 620.0.

EUROPE

Dollar robs rally of its steam

THE RALLY in share values which gathered pace in many centres at the end of last week quickly ran out of steam yesterday as the dollar again picked up and bourse investors began to take profits.

A firmer bias nonetheless prevailed in Paris, where the weekend had been devoted to an examination of the austerity measures which, when announced on Friday, took the CAC index 2.3 higher to 114.5. It ended yesterday 0.4 firmer still at a 1982.5 high.

Fears of the damage which corporate profitability could suffer from reduced consumer demand were generally offset by hopes that the inflow of savings to government coffers would follow through into industrial investment.

A 1/4-point cut in call money by the Bank of France, the first this month, gave a further fillip to sentiment.

In mixed electricals Alstom rose FRF 5 to FRF 187 on its higher parent company profits, while notable gains were achieved by Club Mediterranée, up FRF 60 to FRF 660, and L'Oreal, FRF 145 ahead at FRF 1,610.

Early turnover was high and prices well maintained in Frankfurt but gains were relinquished in the afternoon. Reflecting the mid-session strength, the Commerzbank index stood 3.6 higher at a 13-year peak of 905.3 and the FAZ index edged 0.76 upward to 300.04, its first ever excursion above the 300 level.

Deutsche Bank added DM 7 to DM 332 on its dividend boost while Commerzbank shed DM 2.70 to DM 159 after confirming its intention again to omit a payout.

Domestic bond prices slipped, and the Bundesbank was required to buy DM 73.3m in public paper against sales of DM 2.2m on Friday.

Interest in Zurich centred on Landis & Gyr in financials, which opened SwFr 50 up on rumours of a large order for the company but turned in a net SwFr 20

gain at SwFr 1,240, and on machinery and vehicle manufacturer Adolf Saurer.

Domestic bonds were barely changed.

An otherwise trendless Amsterdam was featured by Gist-Brocades in chemicals, which jumped Ft 10.50 to Ft 186 on news that it has secured Dow Chemical distribution rights in the Netherlands. Internationals all lost ground, while bonds drifted lower.

Milan reacted to a change in control of Toro Assicurazioni by marking up the insurance group L480 to L13,980. Centrale, which sold the stake, eased L11 to L2,799 while its purchase by IFI triggered a L145 rise for the holding company to L5,500. Treasury securities were in good demand.

A weak undertone emerged in Brussels although many issues improved. UCB added BFr 155 to BFr 3,185 and Kredietbank BFr 250 to BFr 5,350 but Arbed fell BFr 38 to BFr 1,200.

A quiet Stockholm session left Fagersta SKr 15 stronger at SKr 390 but Alfa-Laval off SKr 10 at SKr \$70.

LONDON

Resistance patchy but intact

STERLING'S resumed weakness against the dollar exerted downward pressure on government stocks but failed to undermine London equity markets yesterday. Gilt-edged securities were further unsettled by predictions of higher short-term U.S. interest rates and revived anxieties that current domestic base rates of 10 1/2 per cent could be increasingly vulnerable if the exchange rate deterioration continues.

Longer-dated gilts took the brunt of the fall. Dealers adopted defensive tactics by lowering quotations around a half, but the losses were soon extended to more than a full point as nervous offerings found buyers reluctant.

This pattern was repeated at the shorter end where falls ranged to a half-point or more in the case of specific low-coupon issues which encountered above-average selling.

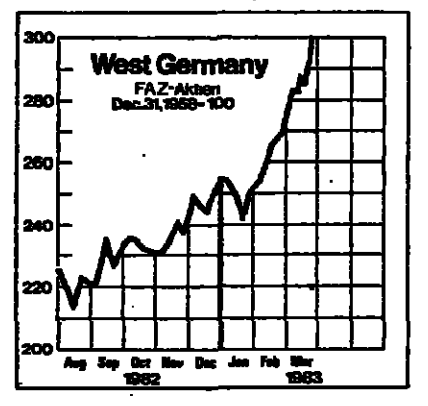
Equity markets benefited initially from the employers' view that UK industry was emerging from recession and Wall Street's surge to a new peak on Friday. Business in leading shares was patchy, however, and after completion of one or two sizeable institutional buying orders, interest lessened considerably.

Most major industrials drifted a shade easier after a promising start. The FT Industrial Ordinary index closed 1.4 down at 855.5, cushioned by rises in both pharmaceutical constituents, Glaxo and Beecham.

Glaxo followed last week's jump of 115p with a fresh spurt of 30p to 850p on demand ahead of interim figures, due on April 11, and a joint Japanese marketing venture. Other pharmaceutical stocks also moved higher.

Fears of a price war continued to cast a cloud over the oil sector, and interest remained at an extremely low ebb with most prices ending a shade easier.

Share information service, Pages 36-37



SOUTH AFRICA

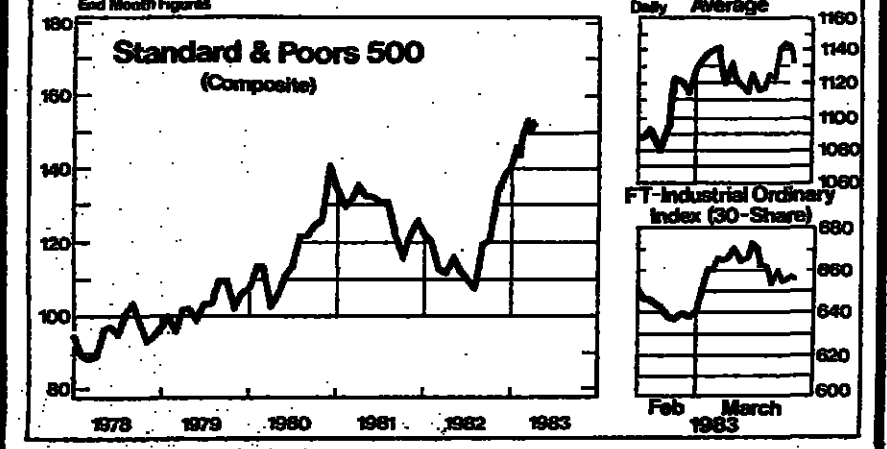
Tone cautious

DEMAND dwindled in Johannesburg ahead of budget day tomorrow, with golds pulled lower by a bullion price retreat.

Heavyweights shed up to R2.50, while in mining financials Anglo-American was 25 cents off at R20.10. De Beers steadied at R8.40 following plans by its Central Selling Organisation to raise gem diamond prices.

Platinum was firm but industrials directionless.

KEY MARKET MONITORS



| STOCK MARKET INDICES | | | | |
|----------------------|----------|----------|----------|--|
| NEW YORK | March 28 | Previous | Year ago | |
| DJ Industrials | 1133.32 | 1140.09 | 817.92 | |
| DJ Transport | 511.99 | 515.57 | 332.32 | |
| DJ Utilities | 125.89 | 126.34 | 108.57 | |
| S&P Composite | 152.55 | 152.67 | 111.94 | |
| LONDON | | | | |
| FT Ind Ord | 855.5 | 856.9 | 555.1 | |
| FT-A All-share | 413.13 | 413.71 | 320.46 | |
| FT-A 500 | 445.89 | 445.54 | 342.49 | |
| FT-A Ind | 418.33 | 418.78 | 314.08 | |
| FT Gold mines | 538.1 | 537.9 | 236.4 | |
| FT Govt secs | 79.91 | 80.63 | 68.23 | |
| TOKYO | | | | |
| Nikkei-Dow | 8387.51 | 8319.09 | 7203.82 | |
| Tokyo SE | 614.02 | 612.49 | 536.01 | |
| AUSTRALIA | | | | |
| All Ord. | 505.3 | 508.2 | 475.7 | |
| Metals & Mins. | 458.7 | 465.5 | 337.1 | |
| AUSTRIA | | | | |
| Credit Aktien | 58.57 | 53.55 | 53.64 | |
| BELGIUM | | | | |
| Belgen SE | 116.70 | 115.29 | 97.59 | |
| CANADA | | | | |
| Toronto Composite | 2121.5 | 2122.6 | 1807.1 | |
| Montreal Industrials | 354.80 | 355.43 | 291.02 | |
| Combined | 351.58 | 351.97 | 270.08 | |
| DENMARK | | | | |
| Copenhagen SE | 133.92 | 133.82 | 94.94 | |
| FRANCE | | | | |
| CAC Gen | 114.90 | 114.50 | 103.7 | |
| Ind. Tendence | 122.60 | 121.60 | 117.2 | |
| WEST GERMANY | | | | |
| FAZ-Alstom | 300.04 | 299.28 | 235.49 | |
| Commerzbank | 905.30 | 901.7 | 718.0 | |
| HONG KONG | | | | |
| Hang Seng | 975.90 | 983.39 | 1168.18 | |
| ITALY | | | | |
| Banca Comm. | 211.85 | 212.70 | 208.74 | |
| NETHERLANDS | | | | |
| ANP-CSS Gen | 125.8 | 125.8 | 89.9 | |
| ANP-CSS Ind | 108.9 | 107.2 | 72.6 | |
| NORWAY | | | | |
| Oslø SE | 151.31 | 152.25 | 101.45 | |
| SINGAPORE | | | | |
| Straits Times | 837.15 | 838.53 | 723.87 | |
| SOUTH AFRICA | | | | |
| Gold | 894.3 | 713.4 | 442.8 | |
| Industrial | 827.9 | 831.7 | 568.1 | |
| SPAIN | | | | |
| Madrid SE | closed | 112.25 | 123.81 | |
| SWEDEN | | | | |
| J & P | 1235.57 | 1243.48 | 808.85 | |
| SWITZERLAND | | | | |
| Swiss Bank Ind | 311.8 | 312.4 | 256.1 | |
| WORLD | | | | |
| Capital Int'l | 165.7 | 168.4 | 132.5 | |
| GOLD (per ounce) | | | | |
| London | Mar 28 | Mar 28 | Prev | |
| Frankfurt | \$408.50 | \$413.00 | | |
| Zurich | \$408.75 | \$411.75 | | |
| Paris (Baring) | \$411.48 | \$411.70 | | |
| New York (March) | \$412.00 | \$414.00 | | |

| CURRENCIES | | | | |
|-------------|----------|----------|----------|----------|
| U.S. DOLLAR | March 28 | Previous | March 28 | Previous |
| £ | 1.4540 | 1.4615 | | |
| DM | 2.4345 | 2.4160 | 3.54% | 3.53% |
| Yen | 240.10 | 237.00 | 349% | 346% |
| FFr | 7.2975 | 7.2450 | 10.60% | 10.58% |
| SwFr | 2.0850 | 2.0650 | 3.03% | 3.01% |
| Outer | 2.7370 | 2.7080 | 3.38% | 3.35% |
| Line | 144.0 | 143.0 | 2107 | 2100% |
| BP | 48.21 | 47.50 | 70.10 | 69.95 |
| CS | 1.2315 | 1.2270 | 1.7890 | 1.7915 |

| INTEREST RATES | | | | |
|---|----------|---------|---------|-------|
| Euro-currencies | March 28 | Prev | | |
| (three month offered rate) | | | | |
| £ | 11 | 10 1/2% | | |
| SwFr | 4 1/4 | 4 | | |
| DM | 4 1/4 | 4 1/4 | | |
| FFr | 12 1/2 | 12 1/2 | | |
| FT London interbank fixing (offered rate) | | | | |
| 3-month U.S.\$ | 9 1/4 | 9 1/4 | | |
| 6-month U.S.\$ | 10 | 9 1/4 | | |
| U.S. Fed Funds | | | | |
| U.S. 3-month CDs | 9 1/2 | 9 1/2 | | |
| U.S. 3-month T-bills | 8 1/2 | 8 1/2 | | |
| U.S. Treasury Bonds | | | | |
| March 28 | Price | Yield | Price | Yield |
| 9% 1985 | 99 1/2 | 9.59 | 99 1/2 | 9.51 |
| 10% 1990 | 99 1/2 | 10.59 | 99 1/2 | 10.59 |
| 10% 1995 | 101 1/2 | 10.82 | 101 1/2 | 10.82 |
| 10% 2012 | 97 1/2 | 10.68 | 97 1/2 | 10.68 |

| FINANCIAL FUTURES | | | | |
|---------------------------|--------|--------|--------|--------|
| CHICAGO | Latest | High | Low | Prev |
| U.S. Treasury Bonds (CBT) | | | | |
| 8 1/2% 32nds of 100% | 75-27 | 76-00 | 75-18 | 75-24 |
| U.S. Treasury Bills (BMM) | | | | |
| 1% 16 | 91.12 | 91.22 | 91.12 | 91.14 |
| Euro-currency (BMM) | | | | |
| 1% 16 | 90.44 | 90.51 | 90.42 | 90.46 |
| LONDON | | | | |
| Three-month Euro-dollar | | | | |
| 1% 16 | 90.22 | 90.24 | 90.14 | 90.41 |
| 20-year National GB | | | | |
| £50,000 32nds of 100% | 102-27 | 103-08 | 102-20 | 103-23 |

| LONDON COMMODITY MARKETS | | | | |
|--------------------------|----------|----------|------|--|
| March 28 | Prev | March 28 | Prev | |
| Silver (spot fixing) | 708.00p | 712.80p | | |
| Copper (cash) | £1100.25 | £1085.00 | | |
| Coffee (March) | £1916.50 | £1934.50 | | |
| Oil (spot Arabian light) | \$27.50 | \$28.00 | | |



Extracts from the statement by the Chairman of Anglo American Industrial Corporation Limited, Mr. G. W. H. Relly.

"The increased size and spread of the group has enhanced its attractions as an industrial investment vehicle."

The 1982 results

Amic's results were significantly affected by the deepening economic recession in South Africa and the persistence of extremely difficult trading conditions overseas. Although the group's earnings increased by 4.5 per cent to R186.8 million, earnings per share on the increased share capital arising from the merger with De Beers Industrial Corporation (Debinco) and related acquisitions decreased by 37.1 per cent to 41.6 cents per share. As anticipated at the time of the merger, however, the higher proportion of group earnings derived from dividend income from associated companies and investments has enabled it to reduce the dividend cover and the final dividend has been increased by 10 cents to 125 cents per share, giving a 8.1 per cent increase in the total dividend from 165 cents per share to 195 cents per share.

The highlight of the 1982 financial year was the implementation of the merger with Debinco and the acquisition of additional interests in Highveld Steel and Vanadium Corporation and The Natal Tanning Extract Company, making these two companies partly-owned subsidiaries of Amic. The effects of the merger on Amic's overall size will be apparent from an examination of the financial statements but it is clear that Amic has emerged as a very large industrial group with total assets of R2 827 million at December 31 1982 and a capitalisation on the Johannesburg Stock Exchange of R1 416 million. I have no doubt that the increased size of the group and the spread of its assets, particularly in the chemicals and steel sectors, greatly enhances its attractions as an industrial investment vehicle and will enable it to fund more easily the major expansion projects upon which subsidiaries, such as Mondri Paper, have embarked.

The difficult trading conditions experienced world-wide and the particularly depressed state of the steel, paper, base metals and minerals sectors had a severe impact on Amic's major operating subsidiaries; the world-wide malaise in mining affected Boart International's results in particular. Under-utilisation of capacity has led to temporary closures of certain operating plant at both Mondri and Highveld. Profits were also adversely affected by the very high level of interest rates that prevailed in South Africa throughout the year and the 10 per cent increase in the rate of company taxation. Although the subsidiaries' export revenues increased to R280 million, in 1982, margins on these sales were lower due to deteriorating markets.

Dividend income from the group's associated companies and investments rose to R73.7 million in 1982, reflecting the increased investment in AECI, The Tongaat-Hulett Group and other companies. It is disappointing to note, however, that among the associates Sigma Motor Corporation incurred substantial losses, mainly as a result of currency losses and high interest rates, and as the buoyant trading conditions experienced by the motoring industry in previous years fell away. Early in 1983, Amic and Anglo American Corporation of South Africa acquired the equity and other interests in Sigma held by subsidiaries of Chrysler Motor Corporation, in proportions which

The annual general meeting of AMIC will be held in Johannesburg on May 17, 1983. Copies of the annual report are obtainable from the London office of the Company at 40 Holborn Viaduct, EC1P 1AJ, or from the transfer secretaries, Charter Consolidated P.L.C., P.O. Box 102, Charter House, Park Street, Ashford, Kent TN24 8EQ.

AMIC

resulted in each of them increasing their equity interest in Sigma to 50 per cent. The shareholders can now proceed with refinancing the company to put it on a sound financial footing; Sigma's new management has implemented steps to remedy the company's difficulties and anticipates that the company should be restored to profitability in 1984.

During the year under review, Mondri's major capital project for the construction of a new pulp mill complex at Richards Bay gathered momentum. The scheme is expected to cost about R600 million to completion and arrangements have been made for the shareholders of Mondri to make available loan and equity finance amounting to R150 million. In addition, outside loan facilities totalling R450 million have been arranged by Mondri and substantial use will be made of project finance and export aids where appropriate.

Labour and productivity

1982 has seen the continued growth of the trade union movement among all population groups in South Africa. Increasingly, workers will press for higher rewards through their unions. While this process is natural, it can only be sustained in the longer term if it is accompanied by business growth. In turn, growth can be ensured only if South Africa can maintain or improve productivity over its competitors.

Outlook

At this stage there is little to indicate that economic conditions in 1983 are likely to be any better than those of 1982. The country's industries face low export prices in contracting world markets, now coupled with a rapid decline in domestic consumer and industrial demand. Although the rate of inflation has fallen somewhat, it remains at an unacceptably high level and administered increases in costs of transport, power and raw materials and in taxation are eroding profit margins while selling prices remain static or decline.

In the Amic group, cut-backs in capital expenditure are being implemented where appropriate and Highveld is to defer the commissioning of its second iron plant until trading conditions improve. The directors consider, however, that Mondri must proceed with the Richards Bay pulp mill, which is due for commissioning in the last quarter of 1984, by which time a more favourable economic climate should exist and shortages of chemical pulp will no doubt again be evident. In that event, Mondri should be in a most advantageous position to derive the benefits forecast when the decision was taken to establish the pulp mill complex at Richards Bay.

It is satisfactory that Amic was able to increase dividend distributions in 1982 despite the uncertain conditions. In the current environment it is possible that some of Amic's operating subsidiaries and associated companies will show a further profit decline, with an impact on overall group results. I believe, however, that the difficult times will tighten our management and set the group on a sound basis to take advantage of an upturn.

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WORLD STOCK MARKETS

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AMERICAN STOCK EXCHANGE CLOSING PRICES

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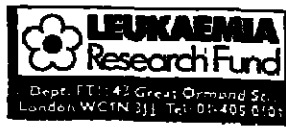
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Sharp increase in rubber prices

By John Edwards

NATURAL rubber prices rose sharply in London yesterday. The No. 1 RSS spot quotation increased by 5p to 77p a kilo, and on the futures market the June/September position closed 227 up at 2902.5 a tonne.

The rising trend was attributed to the decline in the value of sterling against the Malaysian dollar, and reports of buying interest from both China and the Soviet Union.

However, London traders said demand for rubber remained quiet, with manufacturers refusing to pay the higher prices except for "spot" purchases.

● **INDIA's** cotton exports so far this year have reached 800,000 bales more than double the 375,000 bales exported in the whole of the 1981-82 selling year ending in August.

● **UNDER** a \$7m (£4.63m) grain exchange agreement, the U.S. will supply Zimbabwe with 20,000 tonnes of wheat and 20,000 tonnes of maize to Zambia.

● **INDIA** has halted most rice exports to the Middle East, but will consider importing if necessary.

● **SEA SHEPHERD**, the ship being used by anti-whale protesters, has been ordered to put into port to face charges of going too close to the hump. The captain has said he will refuse to obey the order.

● **THAI** TAPIROCA exports in 1982 rose to 7.52m tonnes, from 6.52m tonnes the previous year. Meanwhile, it seems unlikely that the European Community will allow Thailand to compensate for the expected shortfall in tapioca imports from Indonesia this year.

● **THE** 8TH international trade conference—P.O. 83—will be held in The Hague on October 23-24.

List price for aluminium ingots goes up to £880 a tonne

By John Edwards, COMMODITIES EDITOR

A RISE in the list price for aluminium ingots in the UK and Ireland from £510 to £880 a tonne was announced yesterday by British Alcan Aluminium. This is the first rise in the official list price quoted by Alcan since February 1980.

It reflects the decline in sterling, improved market conditions and the recent surge in aluminium values on the London Metal Exchange.

Yesterday, the cash price of aluminium on the exchange jumped once again, closing at £822.5 a tonne, while the three-month quotation gained 223 to £851.75 a tonne.

This is the highest level since early 1980, when sterling was worth a great deal more, and compares with a low for the cash price of £506 only nine months ago.

Yesterday's rise was attributed to further strong speculative buying, encouraged by the market breaking through some important chart resistance points. Paradoxically, London Metal Exchange warehouse stocks of aluminium rose by 1,825 tonnes to a record level of 265,025 tonnes.

Traders point out, however, that the increase mainly reflects the greater use of the market by producers, since world stocks of aluminium have been declining steadily in recent months owing to production cutbacks and some limited improvement in demand.

Much of the aluminium held in the LME warehouse is known to be of poor quality and would need to be upgraded before it could be used by most fabricators.

Nevertheless, the LME quote-

remain at a considerable premium to the Alcan list price, even after yesterday's increase. LME prices are based on delivery from any one of the warehouses dotted throughout Europe, with the seller's option, and also do not include the 8 per cent duty imposed on imports into the European Community.

The Alcan price is for aluminium delivered to customers' works, duty paid. In addition to the rise in the list price to £880 for 99.5 per cent minimum purity metal, Alcan are also raising by £10 the premiums for extrusion ingots and for 99.85 and 99.9 per cent minimum purity ingots.

The increases are effective on all new orders placed on or after March 31 and on shipments against existing orders from April 29.

FT correspondents look at Europe's two new farm ministers

Devaluation Kiechle: Complex task ahead

By Our Own Correspondent

WEST GERMANY'S farmers are about to lose their guardian angel of the last 13 years—but they are unlikely to be disappointed at his replacement, writes Jonathan Carr.

Herr Josef Ertl, Bavarian farmer and Agriculture Minister since 1969, will not be in Chancellor Helmut Kohl's Cabinet to be sworn in tomorrow. The new minister is to be Herr Ignaz Kiechle, also a Bavarian farmer and an expert on dairy products.

Herr Ertl, a member of the liberal Free Democratic Party is leaving not because he failed to defend Bonn's interests in EEC negotiations in Brussels, but because of a change in the balance of political power at home. The FDP will have only three Cabinet seats, so the farming portfolio passes to Herr Kiechle's Bavarian, Christian

Union (CSU) which will have five Cabinet posts. The new man, who was 83 last month, faces a hard task. Not only does he take over the national job, he must also act as chairman of the Council of EEC farm Ministers. He is walking into the middle of the most delicate job of all—the annual setting of the EEC farm price increases.

To make matters still more complicated, the realignment of the European Monetary System (EMS) means Bonn will be under even more pressure from France in particular to cut its border taxes for farm produce.

Anyone hoping that Herr Kiechle will be a softer touch in Brussels than Herr Ertl is in for a surprise.

Herr Kiechle has made it clear he could not accept a combination of measures—cuts in border taxes and in inter-

vention guarantees—so that German farmers came away from the Brussels talks with no real price increase at all. For him a net price increase of 3 per cent for German farmers would be an "acceptable result" from the negotiations.

What about the problem of EEC finance and farm surpluses? Herr Kiechle does not like the word "quotas" but his thoughts on the topic point in that direction. If action has to be taken because of limited EEC cash, then he feels the priority should go to setting volume limits beyond which farm produce would not benefit in full from the Community's price guarantees. He thinks that is better than trying to limit production in the first place by depressing the price.

But here is a realist enough to add that if that is to happen it will be a slow, step-by-step process.

For all his antipathy, Mitterrand has not been slow to ignore him. By giving him the planning portfolio, the president clearly sought to keep his socialist rival on the fringes of government.

Mitterrand, however, is now back in the front line. His appointment is consistent with the tightening of economic policy by the Mitterrand government in the wake of the latest devaluation of the franc.

For Mitterrand, the job will represent a delicate challenge. The agricultural ministry could be the springboard to his political ambitions, or it could be a dead end.

He first ran for the presi-

Tin reaches all-time high

By Our Commodities Editor

THE further decline in the value of sterling boosted base metal prices again on the London Metal Exchange yesterday.

Tin values reached new all-time peaks with the cash price closing 231 up at \$9,315.5 a tonne. There was reported to be some trade buying interest, while the buffer stock of the International Tin Council was reported to be giving the market firm support by bidding at \$9,120 in late bid dealings.

Meanwhile, in London yesterday, representatives from the leading tin exporting countries were making another attempt to resolve the differences that have so far prevented the formation of the proposed Tin Producers' Association. The talks are due to end today.

However, with the buffer stock of the Tin Council now

firmly in control of the market, the incentive for producers to seek further protection has diminished.

Nevertheless, Malaysian tin prices remain in the lower price range of the International Tin Agreement in spite of the record levels in London.

Nickel prices also rose to new peaks yesterday. The strong upward trend of recent weeks was maintained with cash nickel gaining a further \$52.5 to \$3,433 a tonne.

Nickel stocks in LME warehouse rose to a record level of 12,072 tonnes after an increase of 220 tonnes last week. Copper also rose by 1,600 to 308,075; lead by 1,900 to 147,800; zinc by 400 to 90,000 tonnes and silver by 30,000 to 34,100 ounces. Tin stocks fell by five tonnes to 37,325 tonnes.

Smaller cocoa crop predicted

SALVADOR—The cocoa trade now expects that the Bahia tempo crop (May/Sept) will be 2.3-2.5m 60-kilo bags. Earlier this week, the government estimated the crop at 2.7m bags.

Cocoa which would have been tempo now will come in during the first weeks of the main crop which starts in October, because of the lateness of the season.

This would make a larger main crop than usual of about 2.5m bags. This would go against the trend in recent years for larger tempo and lower main crop harvests. However, firm estimates of the main crop will not be possible until May.

● The Ghana cocoa marketing board said it bought 882 tonnes of cocoa in the 19th week of the 1982/83 main crop season. (Agencies)

PRICE CHANGES

| In tonnes unless stated otherwise | Mar. 28 1983 | + or - | Month ago | Mar. 28 1983 | + or - | Month ago |
|-----------------------------------|--------------|--------|-----------|--------------|--------|-----------|
| Metals | | | | | | |
| Aluminium | 2150.00 | +610 | 2516.65 | | | |
| Free Mkt. | 118.00 | 0 | 118.00 | | | |
| Copper | 118.00 | +7 | 125.00 | | | |
| Lead in grade | 1213.75 | +6.78 | 1211.45 | | | |
| Lead Cathode | 1210.75 | +4.51 | 1210.00 | | | |
| Nickel | 1210.00 | +1.5 | 1211.50 | | | |
| Gold 999.5 | 9420.5 | -3.5 | 9413 | | | |
| Lead Cash | 2307 | +5 | 2338 | | | |
| Free Mkt. | 118.00 | 0 | 118.00 | | | |
| Nickel | 9421.1 | +0.64 | 9424 | | | |
| Free Mkt. | 120.00/50 | -17.00 | 137.00 | | | |
| Pellets | 538.75 | -0.1 | 539.00 | | | |
| Free Mkt. | 118.00 | -0.1 | 118.00 | | | |
| Aluminium | 2150.00 | 0 | 2150.00 | | | |
| Free Mkt. | 118.00 | 0 | 118.00 | | | |
| Lead cash | 1213.75 | -1.38 | 1215.00 | | | |
| Oil | | | | | | |
| Crude Oil | 32511.5 | +31 | 32732 | | | |
| 8 months | 3253.5 | +32.05 | 3273 | | | |
| Free Mkt. | 118.75 | 0 | 118.00 | | | |
| Wheat | | | | | | |
| Wheat 22.54 lb | 339.01 | - | 339.00 | | | |
| Free Mkt. | 118.75 | - | 118.75 | | | |
| Zinc | | | | | | |
| Zinc Cash | 1647.75 | - | 1647.25 | | | |
| Free Mkt. | 118.00 | - | 118.00 | | | |
| Producers | | | | | | |
| Producers | 1750 | - | 1750.00 | | | |
| Oil | | | | | | |
| Crude Oil (Phil) | \$507.5w | + 7.5 | \$465 | | | |
| Free Mkt. | 118.00 | 0 | 118.00 | | | |
| Unsweet Crude | 2 | 0 | 2318 | | | |
| Palm Malayan | \$95.5w | 0 | \$97.0 | | | |
| Seeds | | | | | | |
| Soybeans | \$535.5w | 0 | 535.5w | | | |
| Canada (U.S.) | \$394w | -2.5 | \$426.75 | | | |
| Grains | | | | | | |
| Grain Fut. Sep | 211.00 | +0.30 | 210.50 | | | |
| Wheat Fut. Sep | 118.00 | 0 | 118.00 | | | |
| Other Fut. Sep | 118.00 | 0 | 118.00 | | | |
| Soft Hard Wint | 2 | 0 | 2 | | | |
| Other commodities | | | | | | |
| Free Mkt. | 121.50 | 0 | 121.50 | | | |
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| Free Mkt. | 121.50 | 0 | 121.50 | | | |
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| Free Mkt. | 121.50 | 0 | 121.50 | | | |
| Free Mkt. | 121.50 | 0 | 121.50 | | | |
| Free Mkt. | 121.50 | 0 | 121.50 | | | |
| Free Mkt. | 121.50 | 0 | 121.50 | | | |

WOLSELEY-HUGHES
From Falkirk to Florida
we're growing
from strength to strength
Plumbing and Heating suppliers in the U.K. and U.S.
Farm and Garden Machinery, Engineering, Plastics.

FT LONDON SHARE INFORMATION SERVICE

LOANS—Continued

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

BRITISH FUNDS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

FOREIGN BONDS & RAILS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

AMERICANS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

OVER FIFTEEN YEARS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

UNDATED

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

CORPORATION LOANS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

COMMONWEALTH AND AFRICAN LOANS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

BANKS, H.P. & LEASING

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

LOANS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Public Board and Ind.

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Canadians

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Over Fifteen Years

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Undated

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

Index-Linked & Variable Rate

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

BANKS—Continued

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

BEERS, WINES AND SPIRITS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

BUILDING INDUSTRY, TIMBER AND ROADS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

DRAPERY AND STORES

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

ELECTRICALS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

ENGINEERING MACHINE TOOLS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

FOOD, GROCERIES, ETC.

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

INDUSTRIALS (Miscel.)

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

HOTELS AND CATERERS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

INDUSTRIALS (Miscel.)

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

HOTELS AND CATERERS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

INDUSTRIALS (Miscel.)

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

HOTELS AND CATERERS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

INDUSTRIALS (Miscel.)

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

HOTELS AND CATERERS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

INDUSTRIALS (Miscel.)

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

HOTELS AND CATERERS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

INDUSTRIALS (Miscel.)

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

HOTELS AND CATERERS

| 1982/83 | High | Low | Stock | Price | Yield | Div. | Yield |
|---------|------|------|-------|-------|-------|------|-------|
| 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

INDUSTRIALS (Miscel.)

| | | | | | | | |
|-----|----|--------------|-----|-------|-----|-----|-----|
| 77 | 82 | Edward Jones | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 78 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 79 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 80 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 81 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 82 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 83 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 84 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 85 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 86 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 87 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 88 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 89 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 90 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 91 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 92 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 93 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 94 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 95 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 96 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 97 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 98 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 99 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |
| 100 | 82 | I.D.C. 20p | 113 | 12.12 | 1.7 | 7.7 | 7.2 |

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm on higher interest rate fears

The dollar continued to improve in currency markets yesterday, underpinned by fears of higher U.S. interest rates. Federal Reserve overnight rate was quoted at 9.75 per cent with end of month technicalities and payment of recent Government offerings likely to keep funds tight for the rest of this week. There was also some uncertainty caused by the current FOMC meeting although the results of this are unlikely to be known for some time.

Sterling finished unchanged overall, losing ground to the dollar to finish at its worst closing level ever, but improving against most major European currencies.

DOLLAR — Trade-weighted index (Bank of England) 123.0 against 122.9 six months ago. The dollar has shown renewed strength as a safe haven for funds during a time of extreme uncertainty about the effects of falling oil prices. U.S. interest rates have not fallen as once expected, partly because of the high level of Federal funding, while money supply growth and fears of a tightening of credit policies also remain a problem.

The dollar closed at DM 2.4345

up from DM 2.4160 and SwFr 2.0850 from SwFr 2.0650. It was also higher against the yen at ¥240.10 from ¥237.00 and FFf 7.2375 compared with FFf 7.2450.

STERLING — Trading range against the dollar in 1983-83 is 1.9263 to 1.9440. February average 1.9375. Trade-weighted index 123.0 against 122.9 six months ago. Sterling rose to DM 3.5425 from DM 3.53 and compared with SwFr 3.0175. It was also firmer against the French franc at FFf 10.5075 compared with FFf 10.58 and ¥349.5 from ¥348.5.

D-MARK — Trading range against the dollar in 1983-83 is 2.4940 to 2.5410. February average 2.4920. Trade-weighted index 131.1 against 126.8 six months ago. German economic strength

and low inflation compared with many of its neighbours have once again caused strains within the EMS. The latest realignment gives the D-mark room for appreciation which could be accelerated by the result of the recent general election.

The dollar rose against the D-mark at yesterday's fixing in Frankfurt to DM 2.4325 from DM 2.4202. Sterling was also higher at DM 3.5420 from DM 3.5310. Within the EMS the French franc remained pinned at its ceiling against the D-mark and the Bundesbank was active in the market selling French francs. The German unit was fixed at its ceiling rate of DM 33.350 per FFf 100 as it was on Friday.

ITALIAN LIRA — Trading range against the dollar in 1983-83 is 1.4835 to 1.5100. February average 1.4975. Trade-weighted index 52.4 against 53.5 six months ago.

Gold fell \$3½ an ounce from Friday's close in the London bullion market yesterday to reach \$400.10. The metal opened at \$412.41 and traded between a high of \$413.41 and a low of \$407.40. After initial support, gold tended to lose ground as the dollar showed a firmer trend.

Eurodollars ease

Euro-dollar prices fell in the London International Financial Futures Exchange yesterday. Sentiment was influenced principally by a firmer cash market as dealers reacted to fears of higher U.S. interest rates. Recent comments that U.S. interest rates were likely to rise were backed up by a 9 per cent Federal funds rate. This reflected a tightening of funds ahead of the end of the quarter and payment due later this week on a sizable amount of U.S. Government stock. While last Friday's money supply figures showed a fall, there was a growing conviction that the Federal authorities may be implementing a slight tightening process or a taking up of the slack. The current meeting of the Federal Open Market Committee was also an unsettling factor although any concrete indications were unlikely to be seen just yet.

The June Euro-dollar price opened at 90.24 down from 90.41

on Friday with stop loss selling pushing the price down to a low of 90.14. This level attracted some support, mainly from short covering and as Chicago came in some five points higher than expected, it touched 90.21 before renewed selling saw it fall back to 90.16. Thereafter, prices tended to follow Chicago, finishing at 90.22. Volume levels were relatively higher because of an extra hour trading due to the start of British Summer Time. Initial reactions to this extended dealing time appeared to be favourable with some dealers expressing a wish to see such an extension on a permanent basis. The extra hour applied to all contracts apart from gilts where business finished at the normal time of 3.15 p.m.

Sterling based contracts tended to lose ground, partly on a small rise in cash market rates and also continuing unease over the performance of sterling.

LONDON

| Three-month | Close | High | Low | Prev |
|------------------------------|---------------|-------|-------|-------|
| June | 90.22 | 90.41 | 90.14 | 90.21 |
| Sept | 89.90 | 90.04 | 89.75 | 89.90 |
| Dec | 89.50 | 89.64 | 89.35 | 89.50 |
| March | 89.10 | 89.24 | 88.91 | 89.10 |
| June | — | — | — | — |
| Volume 1,649 (700) | | | | |
| Previous day's open | 90.41 (2,644) | | | |
| Three-month sterling deposit | | | | |
| £250,000 points of 100% | | | | |
| June | 90.22 | 90.41 | 90.14 | 90.21 |
| Sept | 89.90 | 90.04 | 89.75 | 89.90 |
| Dec | 89.50 | 89.64 | 89.35 | 89.50 |
| March | 89.10 | 89.24 | 88.91 | 89.10 |
| June | — | — | — | — |
| Volume 1,649 (700) | | | | |
| Previous day's open | 90.41 (2,644) | | | |

CHICAGO

| U.S. Treasury bonds (CBT) % | Close | High | Low | Prev |
|-----------------------------|-------|-------|-------|-------|
| 15 1/2 years | 75.26 | 75.40 | 75.15 | 75.26 |
| 20 years | 74.28 | 74.42 | 74.15 | 74.28 |
| 25 years | 73.28 | 73.42 | 73.15 | 73.28 |
| 30 years | 72.28 | 72.42 | 72.15 | 72.28 |
| 10 year T-bills (TBM) % | | | | |
| June | 11.18 | 11.22 | 11.12 | 11.18 |
| Sept | 10.90 | 10.94 | 10.86 | 10.90 |
| Dec | 10.62 | 10.66 | 10.54 | 10.62 |
| March | 10.34 | 10.38 | 10.30 | 10.34 |
| June | 10.06 | 10.10 | 10.02 | 10.06 |
| Sept | 9.78 | 9.82 | 9.74 | 9.78 |
| Dec | 9.50 | 9.54 | 9.42 | 9.50 |
| March | 9.22 | 9.26 | 9.14 | 9.22 |

OTHER CURRENCIES

| Mar. 28 | £ | Mar. 28 | £ | Mar. 28 | £ |
|-------------------|---------------|--------------------|---------------|---------------|---------------|
| Argentina peso | 95.598-96.729 | Australia dollar | 94.80-95.10 | Austria | 94.80-95.10 |
| U.S. dollar | 1.4789-1.4805 | Belgium franc | 1.9350-1.9365 | Canada dollar | 1.29-1.30 |
| Swiss franc | 2.0850-2.0865 | Denmark | 1.36-1.37 | France | 1.9350-1.9365 |
| Deutsche mark | 2.4345-2.4360 | Finland mark | 1.36-1.37 | Germany | 1.4835-1.4850 |
| Italian lira | 1.9263-1.9278 | Greece drachma | 1.9263-1.9278 | Japan | 240.10-240.20 |
| Spanish peseta | 166.66-166.77 | Hong Kong dollar | 7.2375-7.2390 | Netherlands | 1.9350-1.9365 |
| Portuguese escudo | 200.48-200.59 | Israeli sheqel | 1.9350-1.9365 | Norway | 1.36-1.37 |
| Swedish krona | 1.36-1.37 | South African rand | 1.9350-1.9365 | Sweden | 1.36-1.37 |
| Yugoslav dinar | 1.9350-1.9365 | U.S. dollar | 1.4789-1.4805 | Switzerland | 1.9350-1.9365 |
| | | U.S. dollar | 1.4789-1.4805 | Yugoslavia | 1.9350-1.9365 |

THE POUND SPOT AND FORWARD

| Mar. 28 | Day's spread | Close | One month | Three months | % |
|---------------|---------------|---------------|---------------|---------------|------|
| U.S. dollar | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 0.98 |
| Canada dollar | 1.29-1.30 | 1.29-1.30 | 1.29-1.30 | 1.29-1.30 | 1.01 |
| Deutsche mark | 2.4345-2.4360 | 2.4345-2.4360 | 2.4345-2.4360 | 2.4345-2.4360 | 0.98 |
| French franc | 1.9350-1.9365 | 1.9350-1.9365 | 1.9350-1.9365 | 1.9350-1.9365 | 0.98 |
| Italian lira | 1.9263-1.9278 | 1.9263-1.9278 | 1.9263-1.9278 | 1.9263-1.9278 | 0.98 |
| Japanese yen | 240.10-240.20 | 240.10-240.20 | 240.10-240.20 | 240.10-240.20 | 0.98 |
| Swiss franc | 2.0850-2.0865 | 2.0850-2.0865 | 2.0850-2.0865 | 2.0850-2.0865 | 0.98 |
| U.S. dollar | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 0.98 |
| U.S. dollar | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 0.98 |

CURRENCY MOVEMENTS

| Mar. 28 | Bank of England | Morgan Guaranty | Change % |
|---------------|-----------------|-----------------|----------|
| U.S. dollar | 1.4789-1.4805 | 1.4789-1.4805 | 0.98 |
| Canada dollar | 1.29-1.30 | 1.29-1.30 | 1.01 |
| Deutsche mark | 2.4345-2.4360 | 2.4345-2.4360 | 0.98 |
| French franc | 1.9350-1.9365 | 1.9350-1.9365 | 0.98 |
| Italian lira | 1.9263-1.9278 | 1.9263-1.9278 | 0.98 |
| Japanese yen | 240.10-240.20 | 240.10-240.20 | 0.98 |
| Swiss franc | 2.0850-2.0865 | 2.0850-2.0865 | 0.98 |
| U.S. dollar | 1.4789-1.4805 | 1.4789-1.4805 | 0.98 |
| U.S. dollar | 1.4789-1.4805 | 1.4789-1.4805 | 0.98 |

THE DOLLAR SPOT AND FORWARD

| Mar. 28 | Day's spread | Close | One month | Three months | % |
|---------------|---------------|---------------|---------------|---------------|------|
| U.S. dollar | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 0.98 |
| Canada dollar | 1.29-1.30 | 1.29-1.30 | 1.29-1.30 | 1.29-1.30 | 1.01 |
| Deutsche mark | 2.4345-2.4360 | 2.4345-2.4360 | 2.4345-2.4360 | 2.4345-2.4360 | 0.98 |
| French franc | 1.9350-1.9365 | 1.9350-1.9365 | 1.9350-1.9365 | 1.9350-1.9365 | 0.98 |
| Italian lira | 1.9263-1.9278 | 1.9263-1.9278 | 1.9263-1.9278 | 1.9263-1.9278 | 0.98 |
| Japanese yen | 240.10-240.20 | 240.10-240.20 | 240.10-240.20 | 240.10-240.20 | 0.98 |
| Swiss franc | 2.0850-2.0865 | 2.0850-2.0865 | 2.0850-2.0865 | 2.0850-2.0865 | 0.98 |
| U.S. dollar | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 0.98 |
| U.S. dollar | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 1.4789-1.4805 | 0.98 |

EXCHANGE CROSS RATES

| Mar. 28 | U.S. dollar | Deutsche mark | Japanese yen | French franc | Swiss franc | Dutch guilder | Italian lira | Canada dollar | Belgian franc |
|---------------|-------------|---------------|--------------|--------------|-------------|---------------|--------------|---------------|---------------|
| U.S. dollar | 1.0000 | 1.4789 | 240.10 | 1.9350 | 2.0850 | 2.4345 | 1.9263 | 1.29 | 1.9350 |
| Deutsche mark | 0.6766 | 1.0000 | 166.66 | 1.9350 | 2.0850 | 2.4345 | 1.9263 | 1.29 | 1.9350 |
| Japanese yen | 0.0041 | 0.0064 | 1.0000 | 1.9350 | 2.0850 | 2.4345 | 1.9263 | 1.29 | 1.9350 |
| French franc | 0.5168 | 0.5168 | 0.5168 | 1.0000 | 1.9350 | 2.0850 | 1.9263 | 1.29 | 1.9350 |
| Swiss franc | 0.4783 | 0.4783 | 0.4783 | 0.4783 | 1.0000 | 1.9350 | 1.9263 | 1.29 | 1.9350 |
| Dutch guilder | 0.4167 | 0.4167 | 0.4167 | 0.4167 | 0.4167 | 1.0000 | 1.9263 | 1.29 | 1.9350 |
| Italian lira | 0.5168 | 0.5168 | 0.5168 | 0.5168 | 0.5168 | 0.5168 | 1.0000 | 1.29 | 1.9350 |
| Canada dollar | 0.7700 | 0.7700 | 0.7700 | 0.7700 | 0.7700 | 0.7700 | 0.7700 | 1.0000 | 1.9350 |
| Belgian franc | 0.5168 | 0.5168 | 0.5168 | 0.5168 | 0.5168 | 0.5168 | 0.5168 | 0.5168 | 1.0000 |

MONEY MARKETS

UK rates edge nervously firmer

UK clearing bank base lending rate 14 1/2 per cent (since March 15 and 16)

UK interest rates were mostly firmer yesterday in the London money market as the market continued its recent unsettled feel, with sterling showing a weaker trend. However there appeared to be little real upward pressure on rates with yesterday's movements seen more as a reaction to the Bank of England's announcement of a good supply of short-term credit which resulted in overnight interbank money falling at 1 per cent. Earlier in the day funds had been trading at 10 1/2 per cent. Elsewhere six-month money was quoted at 10 1/2-10 3/4 per cent while three-month sterling CDs rose to 10 1/2-10 3/4 per cent from 10 1/2-10 3/4 per cent.

The Bank forecast a shortage of around £500m in the market affecting the market including bills maturing in official hands and a net take up of Treasury bills — £250m and the unwinding of previous sale and repurchase agreements — £250m. On the other hand Exchequer transactions added £50m to the system and there was a fall in the note

circulation of £240m. The Bank gave assistance in the morning of £400m, comprising purchases of £41m of eligible bank bills in band 1 (up to 14 days) at 10 1/2 per cent and £240m in band 2 (15-30 days) at 10 1/4 per cent. The forecast was later revised to a shortage of around £500m and the Bank gave no further assistance in the afternoon.

LONDON MONEY RATES

| Mar. 28 | Sterling | Local | Local | Fin | Company | Discount | Treasury | Eligible | Fin |
|---------------|----------|--------|--------|--------|---------|----------|----------|----------|--------|
| Overnight | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| 2 days notice | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| 7 days notice | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| One month | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| Three months | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| Six months | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| One year | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |

ECOD Fixed Rate Export Finance Scheme IV Average Rate for interest period February 2 to March 1 1983 (inclusive)

Local authorities and finance houses seven days' notice, others seven days' notice. Long-term local authority mortgage rates nominally three years 11 1/2 per cent, four years 11 1/2 per cent, five years 11 1/2 per cent. Bank bills in table are for prime paper. Buying rates for prime paper: four months 10 1/2 per cent; three months 10 1/2 per cent; two months 10 1/2 per cent; one month 10 1/2 per cent. Approximate selling rates for one month Treasury bills 10 1/2 per cent; two months 10 1/2 per cent; three months 10 1/2 per cent; four months 10 1/2 per cent; five months 10 1/2 per cent; six months 10 1/2 per cent; seven months 10 1/2 per cent; eight months 10 1/2 per cent; nine months 10 1/2 per cent; one year 10 1/2 per cent. Finance House Base Rate (Published by the Finance Houses Association) 11 1/2 per cent from March 1 1983. London and Scottish Clearing Bank Rate for lending 10 1/2 per cent. London Clearing Bank Rate for sale at seven days' notice 7 1/2 per cent.

In Paris the Bank of France cut the official call money rate to 12 1/2 per cent from 13 1/2 per cent. This followed the latest EMS realignment where pressure on the French franc has eased. The forecast was later revised to a shortage of around £500m and the Bank gave no further assistance in the afternoon.

MONEY RATES

| Mar. 28 | Sterling | Local | Local | Fin | Company | Discount | Treasury | Eligible | Fin |
|---------------|----------|--------|--------|--------|---------|----------|----------|----------|--------|
| Overnight | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| 2 days notice | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| 7 days notice | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| One month | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| Three months | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| Six months | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| One year | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |

ECOD Fixed Rate Export Finance Scheme IV Average Rate for interest period February 2 to March 1 1983 (inclusive)

Local authorities and finance houses seven days' notice, others seven days' notice. Long-term local authority mortgage rates nominally three years 11 1/2 per cent, four years 11 1/2 per cent, five years 11 1/2 per cent. Bank bills in table are for prime paper. Buying rates for prime paper: four months 10 1/2 per cent; three months 10 1/2 per cent; two months 10 1/2 per cent; one month 10 1/2 per cent. Approximate selling rates for one month Treasury bills 10 1/2 per cent; two months 10 1/2 per cent; three months 10 1/2 per cent; four months 10 1/2 per cent; five months 10 1/2 per cent; six months 10 1/2 per cent; seven months 10 1/2 per cent; eight months 10 1/2 per cent; nine months 10 1/2 per cent; one year 10 1/2 per cent. Finance House Base Rate (Published by the Finance Houses Association) 11 1/2 per cent from March 1 1983. London and Scottish Clearing Bank Rate for lending 10 1/2 per cent. London Clearing Bank Rate for sale at seven days' notice 7 1/2 per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES

| Mar. 28 | Short | 7 days | Three months | Six months | One year |
|---------------|--------|--------|--------------|------------|----------|
| Sterling | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 | 10 1/2 |
| U.S. dollar | 9 1/2 | 9 1/2 | 9 1/2 | 9 1/2 | 9 1/2 |
| Canada dollar | 8 1/2 | 8 1/2 | 8 1/2 | 8 1/2 | 8 1/2 |
| D. Guilder | 5 1/2 | 5 1/2 | 5 1/2 | 5 1/2 | 5 1/2 |
| Deutsche mark | 4 1/2 | 4 1/2 | 4 1/2 | 4 1/2 | 4 1/2 |
| French franc | 3 1/2 | 3 1/2 | 3 1/2 | 3 1/2 | 3 1/2 |
| Italian lira | 2 1/2 | 2 1/2 | 2 1/2 | 2 1/2 | 2 1/2 |
| Swiss franc | 1 1/2 | 1 1/2 | 1 1/2 | 1 1/2 | 1 1/2 |
| U.S. dollar | 9 1/2 | 9 1/2 | 9 1/2 | 9 1/2 | 9 1/2 |
| U.S. dollar | 9 1/2 | 9 1/2 | 9 1/2 | 9 1/2 | 9 1/2 |

MONEY RATES

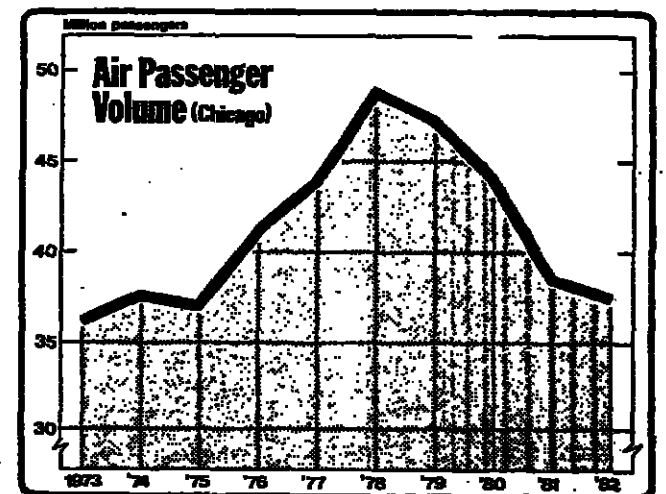
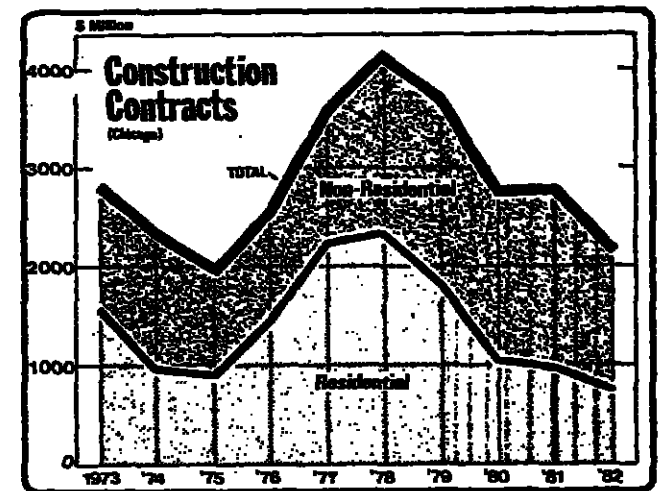
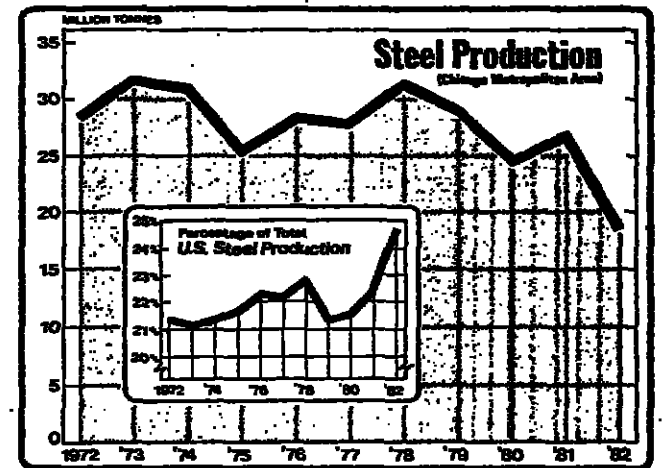
| | |
|-----------------------------|---------|
| MONEY RATES | |
| NEW YORK | |
| Prime rate | 10 1/2 |
| Fed funds (lunch-time)... | 8 3/4 |
| Treasury bills (13-week) .. | 8.67 |
| Treasury bills (26-week) .. | 8.67 |
| GERMANY | |
| Lombard | 5.0 |
| Overnight rate | 5.05 |
| One month | 5.30 |
| Three months | 5.30 |
| Six months | 5.35 |
| FRANCE | |
| Intervention rate | 12.5 |
| Overnight rate | 12.75 |
| One month | 12.1875 |
| Three months | 12.1875 |
| Six months | 11.375 |

FINANCIAL TIMES SURVEY



CHICAGO

SOME ECONOMIC INDICATORS



City shows its fighting spirit

BY RICHARD LAMBERT

CHICAGO is a city in transition. Change is most obvious in the political scene, which has been thrown into turmoil by last month's defeat of Mayor Jane Byrne at the primary stage of the municipal election. But major shifts are also taking place in the economic and social life of Chicago, which have profound long-term implications for its place in the U.S. and international arena.

These trends have been accelerated by the recession, which has hit the city hard. Its long-established position in heavy manufacturing industry has made it particularly vulnerable to the national economic downturn and job losses in the area over the past year or so have been much more severe than for the U.S. as a whole. Unemployment is now pushing 12 per cent and Chicago's share of U.S. Gross National Product has slipped steadily to a level under 4.2 per cent.

But while manufacturing industry has been withering, parts of the service sector have shown marked strength—most visible in the big new trading floors being opened by the commodities and options exchanges in the South Loop district.

All five of Chicago's financial exchanges are involved in the development of new trading and clearing facilities and each that opens appears to be bigger and better than the last.

Although manufacturing and construction employment in metropolitan Chicago fell by

79,000 jobs last year to 900,000, the number of workers employed in services, finance, insurance and property climbed by 20,000 to just over 1m. These changes present big opportunities and some big problems. Chicago is already a major banking centre and despite the well-documented difficulties of its two biggest banks in recent years its role in the international financial community is likely to become even more important.

Financial base

One reason is the growth of the financial futures markets, which are playing an increasingly important part in the world's banking system and are widening their scope to attract new customers, such as equity investors and corporate treasurers. Another is the established strength of its banks. They generate more business loans than their rivals in any other city in the U.S., and over 50 foreign banks have set up shop in Chicago.

Chicago's natural advantages include its position at the hub of the national transport system. Its main airport is the busiest in the world and its share of total air import and export dollars in the U.S. has edged up to 8 per cent over the past decade. It is the country's largest trucking centre as well as an important port, while its rail freight system handles 25m tonnes of

manufactured goods a year. Over a quarter of America's population lives within 500 miles of the Loop and unlike Detroit or Pittsburgh, the manufacturing economy is by no means dependent on any one industry. Chicago makes nearly a quarter of the nation's steel, and—among other items—it produces more sausages, machine tools, envelopes and switchgear than any other U.S. city. Wholesalers' revenues in metropolitan Chicago exceed \$130bn a year and retail sales come out at around \$40bn.

Although its image is of a city with more brawn than brains, it has a larger employment base in what might loosely be called high technology industry than any region apart from Los Angeles. In addition the city has the kind of business infrastructure that goes with being the headquarters town for over 40 of the Fortune 500 companies. Its big law and accounting firms have the depth and expertise to rival those of New York and just about all the major investment banks have a strong presence in the city.

Chicago has other attractions as a place to do business. Its costs, in terms of wage rates plus state and local taxes, compare rather well with those of other major U.S. cities. It is the nation's largest centre for conventions. Its business district has a crackle of excitement in the atmosphere of the kind you might experience in New York but not in many other U.S. cities.

Yet for all its resources and tough resilience, Chicago faces a long haul in adapting itself to changing economic conditions. The closure of its older industries and businesses has been felt most painfully by semi-skilled workers, who are

often black or members of other minority groups. Chicago has an extraordinary diversity of ethnic groups. Its total population is just over 3m, of which 1.5m are white and 1.5m black. A fifth of its citizens live in poverty and the divisions between black and white are unusually stark.

Coming elections

The divisions have been underlined by the mayoral elections, which come to a head next month. Mr Harold Washington, who is black, was just about ignored by the business community before the Democratic primary. All the same, he won a surprise victory by pulling together an overwhelming majority of the black vote and since then the city has been full of rumours about possible defections by senior members of the Democratic primary who would never have dreamt of voting Republican until a few weeks ago.

Behind these tensions lies a growing mismatch between the

skills of a large proportion of the city's labour force and those which are now being required by its employers. In an ambitious 10-year plan drawn up by Mayor Byrne's administration last autumn this was picked out as perhaps the most significant problem faced by Chicago. The document made it clear that whoever wins the election—and at the time of writing it still seems almost inconceivable that Mr Washington could lose—will have to regard improvements in the education system as a high priority in the years ahead.

In addition, Chicago's physical infrastructure is visibly ageing. Major improvements are badly needed at O'Hare airport—the 10-year plan envisaged a \$1bn investment in new facilities. It also called for a further \$2.1bn to be spent on other transportation projects and large additional investments in public works and housing.

It is not clear how all this can be paid for. There is little doubt that by drawing on its taxing resources and tightening management controls the City

has improved its financial position substantially since 1979, when it faced very large deficits. But its fiscal health has become an important issue during the mayoral race, with Mayor Byrne's claims that Chicago was back on its feet being countered with some force by her rivals.

The city's health is suspect in other respects too. Organised crime remains a major business in Chicago. Moreover, the ethics of the city's administrators also have a feel of the 1930s, reflected in the frequent use of that very Chicago word "clout."

Political 'clout'

As defined by the city's outstanding columnist, Mike Royko, "what clout is in Chicago is political influence, as exercised through patronage, fixing, money, favours and other traditional City Hall methods."

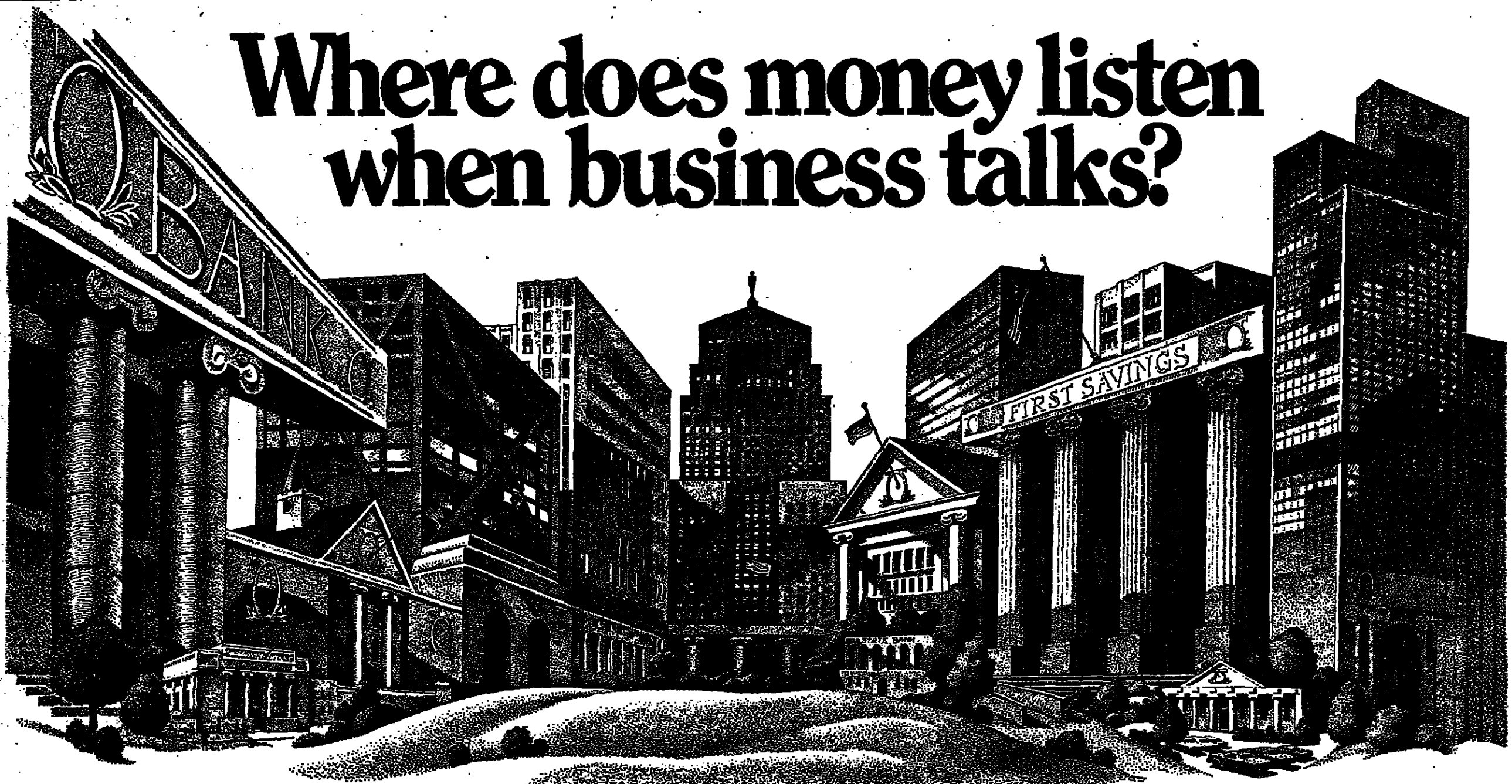
Political patronage was developed into a fine art by the late Mayor Daley, and although the political machine is obviously not what it was it still has vast power. The mayor's patronage still extends to several thousand jobs.

Chicago is accustomed to change. It survived in good shape the Indian massacre of 1812, the Great Fire of 1871, the decline of the stockyards and the drift to the Sunbelt. Any doubts about its ability to do the same again can be dispelled by five minutes in the viewing gallery of one of its big futures exchanges. In the milling throngs below you will see the ingenuity, endurance and raw capitalist spirit which has made the city what it is. But Chicago has needed all its resourcefulness in the past year or so—and the testing period is not over yet.

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Discover
The Magnificent
Miles of
Illinois

CHICAGO II

Paul Taylor discusses the contribution of the banks

System in process of transition

BANKING in Chicago is undergoing radical adjustment.

Although the system is still dominated by two giants—Continental Illinois and First National Bank of Chicago—it is in process of transition. Both Continental Illinois and First National Bank of Chicago have suffered serious setbacks in the past four years, the consequences of which are being felt.

Meanwhile, as the regulatory barriers within the banking sector and the financial services industry crumble, new competitors are emerging. In the case of Chicago and the State of Illinois the process is particularly traumatic. This is because of a number of special factors:

● The Chicago banks, at the centre of both the U.S. industrial and agricultural hinterland, have been forced to adapt to changes in the economy earlier than some of their other U.S. counterparts.

● The location, economy, commodity and financial exchanges in Chicago have acted as magnets for both international competition and for competition from representative offices of other major U.S. money centre banks.

● Until recently Illinois was a "unitary banking state." That meant that banks were allowed to operate only a very limited branch network. Those rules are changing, throwing up new opportunities and local competition.

These factors have also encouraged Chicago banks to look outside their immediate environment for business and in some cases to establish international operations or develop particular niches within the local banking system.

They also explain why most bankers in Chicago admit that they could not have foreseen a decade ago the changes now sweeping the market and are cautious about the future.

The unitary banking system has created an overabundance of small banks. Illinois has about 1,300 banks; the Chicago metropolitan area itself has

405, together holding over 78 per cent of domestic deposits in the state.

Some Chicago banks have effectively abandoned the consumer banking market or are thinking of doing so. Those that remain also face stiff competition from other non-bank institutions.

There are 186 savings and loan associations in the Chicago Metropolitan area bidding for the individual saver's dollar. In the poorer city areas, pawn shops and money exchanges which will do everything from discounting a pay cheque to selling travellers cheques—have effectively replaced the cash services of banks.

Unofficial source

As elsewhere in the U.S. the supermarket or grocery shop is also often an unofficial source of money. The shops are willing to cash personal cheques, for those with bank accounts, over and above the value of purchases.

This environment could change in the future. While First Chicago has always had a strong consumer banking presence, Continental Illinois, because of its recent problems, has recently discovered the relative attractions of new high interest money market accounts as an alternative source of funds to the money markets.

But perhaps more important, since the start of last year banks have been allowed to operate a branch network. While restrictions still apply, specifically banks can only acquire other banks in two contiguous geographical areas. The new rules have already resulted in a number of acquisitions and the formation of new multi-bank holding companies. At the end of 1982 20 multi-bank holding companies involving 30 banks had been approved.

So far the process is still in its infancy. Many bankers in the City of Chicago profess lack of interest in acquisition; others say local neighbourhood

bankers have harboured an inflated idea of the value of their banks.

But the mould is set. Bank analysts in Chicago believe that the pace of acquisition and consolidation is about to pick up. Some suggest that within five years the number of banks could have been reduced by a quarter.

The arrival of new competition from outside the state is also forcing a change in Chicago bank attitudes. The local industrial and agricultural base can no longer be considered the preserve of local banks alone.

Several U.S. money centre banks now have local operations, mostly in loan production offices, in Chicago and they are muscling in on the market.

In their wake have come the foreign banks. Today there are 58 foreign banks operating in Chicago, plus one UK merchant bank, Kleinwort Benson.

Algemene Bank Nederland, the Dutch Bank, owns La Salle Bank, the sixth largest in the city. A few weeks ago in a daring move Fuji Bank, second largest in Japan, outside and outside-owned Security Pacific, the 10th largest bank in the U.S., with a \$425m bid for the two commercial finance subsidiaries of Walter E. Heller International, the Chicago-based group.

That planned acquisition has also hung a big question mark over the future of Heller's other major subsidiary, American National Bank, fifth largest in the city. American National will have an enviable range of options when the purchase is completed. It could make acquisitions of its own, pay off all its long-term debts and still have \$200m left over—or realise its assets through a sale of the bank itself.

The significant advantage U.S. money centre banks and their international counterparts have over local banks is that they can often fund their subsidiaries with cheaper money. The indigenous banks would also argue that the "outsiders"

BANK LENDING BY INDUSTRY (in \$-December 31 1982)

| Durable goods manufacturing | 1,111 |
|--|--------|
| Non-durable goods manufacturing | 679 |
| Food, liquor & tobacco | 679 |
| Textiles, apparel & other | 395 |
| Petroleum refining | 318 |
| Chemicals and rubber | 254 |
| Other | 188 |
| Mining (including crude oil and natural gas) | 4,289 |
| Commodity dealers | 325 |
| Other wholesale | 282 |
| Retail | 221 |
| Transportation | 1,122 |
| Communication | 765 |
| Other public utilities | 391 |
| Construction | 671 |
| Services | 2,298 |
| Other | 631 |
| Total | 22,398 |

Source: Federal Reserve Bank of Chicago 1983.

sometimes lack experience of the local market.

But there is almost certainly room for a full range of banks in Chicago. For example, while Credit Agricole, the French bank, has carved out a particular niche in the agricultural/food business and is exploiting the opportunities provided by the Chicago futures exchanges, Harris Bank, third largest in Chicago, has emerged with the third largest foreign exchange operation in the whole of the U.S.

Rebuilding base

For their part the two largest banks in Chicago are also adapting to the new environment. First Chicago, having taken a tumble in the 1970s, is busy rebuilding its base, its profits and its confidence.

Continental Illinois is at the start of a similar process, having suffered embarrassment and a sharp earnings decline last year mainly as a result of its dealings with a small Oklahoma bank called Penn Square which, like Continental, had perhaps grown too fast.

What is certain is that no matter who the players may be the banks and the wider financial services sector have a crucial role to perform in the Chicago money marketplace of the future.

Tier of neighbourhood banks

BANKERS in Chicago have learned that small, as well as big, can be beautiful—and sometimes very profitable.

Illinois State legislation has resulted in a proliferation of small town banks and local savings and loans associations (S and Ls). Indeed if numbers alone were a measure of choice Illinois bank customers would be spoiled for it.

In fact, however, the market has split into a number of distinct segments catering for specialised markets. In Chicago they call it "niche banking."

With important exceptions like First Chicago mass consumer banking has been left to the local neighbourhood banks, the S and Ls and the currency exchanges. Although most Chicago banks do maintain a retail banking operation they are increasingly tailoring the service to attract only the wealthier individual.

At the same time most smaller and medium-sized banks are redefining their corporate banking business, typically targeting one particular section of the market—often the middle market. Some banks have specialised in foreign exchange and other forms of trading while others have developed and expanded their trust departments.

Service quality

Below Continental and First Chicago is a tier of regional, medium-sized banks, many of which place a premium on quality of service rather than quantity. These include Harris Bank and Savings Bank, Northern Trust, American National Bank and LaSalle Bank.

Harris Bank. With assets of \$17.14bn at the end of last year is the third largest bank in Chicago and the 31st largest in the U.S. A 20 per cent increase in earnings last year also confirmed it as one of Wall Street's favourite regionals.

Harris, which has a reputation as a cautious yet forward-looking bank, has recently undergone a major strategic self-appraisal which has confirmed its strategy of developing particular expertise in specialised markets.

The bank is already credited with having the third largest foreign exchange operation in the U.S., has recently begun offering a discount brokerage service to its target up-scale retail clients and is shortly expected to receive approval to set up a commodity futures trading subsidiary.

Like several of its peers it has taken advantage of the new relaxed banking rules to acquire two local banks. Harris is sometimes spoken of as a potential takeover target, particularly should interstate banking regulations crumble, but 25 per cent of the bank's shares are still controlled by the Harris family.

The bank has relatively extensive overseas operations, including a branch in London. Last year international banking services contributed \$5.8m or 14 per cent of earnings.

Harris has a Mexican loan exposure of \$101m, or 1.9 per cent of total assets, something less than one-third of that out to Brazil and \$11m out to Poland.

Northern Trust. The fourth largest bank in Chicago, with assets of \$8.35bn, suffered an earnings setback last year largely as a result of a big increase in loan loss provisions and higher operating expenses following its acquisition of suburban banks in Illinois.

Non-performing loans increased from \$54m to \$137m, while the loan loss provision was increased \$30m for the year. Fourth quarter charge-offs totalled \$15m, including \$2m related to Penn Square Bank, \$4m to other energy loans and \$7m to the Mexican portfolio.

The bank has a loan exposure to Mexico of 2.3 per cent of total assets, or about \$188m, about \$44m out to Brazil, \$12m to Argentina and "less than" \$2m to Yugoslavia.

The decline in earnings last year, which followed a record year in 1981, came despite higher net interest income, bond trading profits and trust fees, which reached \$73m last year, a 23 per cent increase.

American National. This is the bank everyone is speculating about. Assuming the Fuji acquisition of the Heller commercial finance subsidiaries is completed later this year American National will be the only major remaining unit of Walter E. Heller International—and it will have an enviable cash chest.

Wall Street, and the Chicago business community, had been expecting Heller to sell the bank rather than the commercial finance units. With \$425m from the sale to Fuji, Heller will have a wide range of options for the bank.

Among these, say Heller executives, will be paying off American's \$228m in long-term debts, hitting the acquisition trail for itself, or selling the bank and realising its assets for the shareholders.

Heller and American National are keeping everyone guessing. This could reflect the unhappy experience with Midland Bank in 1979 which signed a letter of intent to buy the whole of the Heller group and then withdrew the offer in favour of purchasing its controlling stake in Crocker National Bank.

American National is already in the process of buying three local banks but Mr Keen Eddington, its president, says "no decisions on the future have yet been taken."

The bank, which Mr Eddington describes as being "particu-

larly deposit-orientated," has been growing quickly in recent years. With assets of \$3.21bn the bank is the 80th largest in the U.S. but has the 35th largest trust department and has carved out a special niche serving pension funds.

LaSalle. Owned by Algemene Bank Nederland since 1979 LaSalle, according to other Chicago bankers, has "been going nowhere fast." They attribute the problem to a lack of strategic direction.

Loss provisions

Last year earnings slipped 16.6 per cent, although this largely reflected much lower tax credits than in 1981. At the pre-tax and security trading level earnings increased from \$4.63m to \$4.92m. The 1982 earnings also reflected a significant increase in loan and other real estate loss provisions reflecting the adoption of "an even more conservative approach to the management of our loan portfolio."

Outside these four medium-sized banks are hundreds of smaller banks in the Chicago market. Amalgamated Trust and Savings is one. The bank has assets of about \$228m and was a trade union bank at one stage. It continues to specialise in banking for unions—and local law firms.

Amalgamated has a lending limit of \$1m and Mr Ray Funk, a former American National man who is now president of the bank, says "a \$800,000 to

\$700,000 loan is a big one for us." Nevertheless the bank is very profitable. According to Mr Funk, return on assets last year was around 1 per cent even though the bank is nowhere near "fully loaded up."

How many of the smaller banks will survive the expected shake-out in Chicago banking is a question which few in the Community are quite ready to answer.

Mr B. Kenneth West, president of Harris, is sure there will be fewer banks through a process of consolidation and acquisition. He points to the formation already of several large multi-bank holding companies which have been put together since banking regulations were eased.

One such "peer group" merger involves 20 banks with total assets of \$1.4bn which have come together in the Overveston group. More moves of a similar nature are expected. Indeed Mr West believes that given the aggressively competitive nature of the market there could be mergers among some of the medium-sized banks as well "just to reach the greater critical mass" he thinks is needed in the current market.

Nevertheless, he adds, "there will be quite a few independent banks surviving and prospering just because they are well managed." As for Harris, he says: "We may not survive but it will not be because we cannot compete in providing high quality service."

Why does international risk go all the way to Chicago?

Hedging on the Chicago Mercantile Exchange.

As the most liquid futures market in the world, the Chicago Mercantile Exchange is serviced by over 80 Clearing Members, with nearly 150 branches in Europe and the Middle East alone.

Management, today, in order to remain competitive must know how to protect itself against adverse changes in the value of its investments and its cash flows. To help achieve this, interest rates can be fixed for borrowing and lending from one date in the future to another, without seriously affecting the balance sheet. It is also possible to lock-in exchange rates for currency cash flows for outright future dates and to hedge existing, or contemplated, investments in US shares.

For these reasons, hedging has become an increasingly important management vehicle. It can go further than merely covering known or expected risks. Indeed, hedging should be a major planning and pricing tool for borrowing, lending and the pricing of imports and exports.

For more information about how the Chicago Mercantile Exchange contracts can help you with your international risks, and for a full list of Clearing Members, please contact the Chicago Mercantile Exchange at one of the addresses below.

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Telephone: 01-920 0722, Telex: 892577

Chicago: 444 West Jackson Boulevard, Chicago, Illinois 60606
Telephone: 312/930 3043, Telex: 255123

New York: 67 Wall Street, 16th Floor, New York, NY 10005
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CHICAGO

CHICAGO III

Foreign banks find market to their liking

FACTS ABOUT THE LEADING BANKS

| | Continental Illinois | First Chicago | Harris Bank Corp. | Northern Trust | American National | Lasalle |
|---|----------------------|---------------|-------------------|----------------|-------------------|---------|
| Assets \$bn end-1982 | 42,899 | 35,88 | 7.14 | 6.3 | 3.21 | 1.25 |
| Earnings before securities transfers \$m 1982 | 84.4 | 144.0 | 40.1 | 33.62 | 28.01 | 5.61 |
| Earnings before securities transfers \$m 1981 | 260.3 | 122.1 | 33.4 | 33.62 | 28.01 | 6.72 |
| % change on year | -67 | +18 | +20 | -11.8 | +12 | -16.6 |
| Non-performing loans for end-1982 \$m | 1,900 | 846.7 | 82.2 | 137 | 57.83 | 37.53 |
| Per cent 1982 non-performing loans of total loans | 5.6 | 2.8 | 2.0 | 4.03 | 3.9 | N/A |
| Per cent 1981 non-performing loans of total loans | 1.9 | 2.7 | 1.11 | 1.62 | 3.3 | N/A |
| Loan loss reserves end-1982 \$m | 381 | 203.1 | 35.0 | 35.16 | 15.32 | 7.4 |
| Per cent of total loans | 1.11 | 0.62 | 0.87 | 1.03 | 1.1 | 1.07 |
| Per cent return on average assets 1982 | 0.18 | 0.41 | 0.54 | 0.51 | 0.99 | N/A |
| Per cent return on average equity 1982 | 4.9 | 10.73 | 10.87 | 9.95 | 17.28 | N/A |

Convalescence for the two majors

CHICAGO'S two major money centre banks, Continental Illinois and First National Bank of Chicago, are both convalescing. Each has taken a recent tumble, their images as much as their earnings have been dented and they are currently devoting their energies to the healing process.

First Chicago, the eleventh largest bank in the U.S. with year-end assets of \$35.88, is further along the route to recovery, having been the first to stumble. The bank's problems date back 10 years, starting with a phase of rapid growth in the early 1970s which led to an uncomfortably high level of non-performing loans and a new management style under Mr Robert Aboud in the late '70s.

But the worst was still to come. While the bank lost customers, and started slipping back to a distant second place, its arch-rival Continental Illinois, it took a gamble on a fall in interest rates which never happened.

A highly publicised and acutely embarrassing boardroom upheaval followed. In 1980 Mr Aboud was fired and Mr Barry Sullivan, then 49, and a former Chase Manhattan banker for 23 years, was hired as chairman.

Mr Sullivan describes the recovery he has managed as being half complete. The loan portfolio has been overhauled, as has the management structure, and there are signs that the process is beginning to pay off.

Last year First Chicago reported a 17.9 per cent increase in operating earnings to \$144.02m from \$118.71m the year before, bolstered by a substantial increase in net interest income. The bank's return on assets has improved to 0.41 per cent from a low of 0.23 per cent in 1980 and the return on equity last year was a respectable 10.73 per cent compared to 5.53 per cent in 1980.

There is still some way to go. The bank's non-performing loans increased from \$564m in 1981 to \$847m last year, representing 3.8 per cent of total loans. The reserve for credit losses at \$203m represents 0.62 per cent of total loans.

First Chicago has a lower

loan exposure to some of the financially troubled developing countries than many other money centre banks. However, it does have a Mexican exposure of about \$85m, or 2.6 per cent of total outstanding, and a Brazilian exposure of about \$700m or about 2.1 per cent of total outstanding. In both countries over 60 per cent of the loans are to the public sector.

Mr Sullivan said recently in London that the bank's future international strategy is likely to focus on strengthening its local overseas operations rather than continued reliance on cross-border lending. He also warned that U.S. corporate lending risks may be slightly higher this year.

Continental Illinois, the seventh largest bank in the U.S. with assets of \$42.8m, is currently the largest lender to corporate America.

Trimming loans

Battered and bruised from its experiences last year the bank is in the process of trimming loans and staff and returning to banking basics. The bank, which had adopted an aggressive growth strategy around the time problems surfaced at First Chicago, suffered a sharp reversal in profits last year and a serious blow to its pride.

The bank's problems mirrored those of some of its industrial clients but the real body blow was dealt by the failure of Oklahoma City's Penn Square bank last July. Continental had bought \$1.05bn in energy loans from Penn Square.

As a result loan losses soared and non-performing loans almost tripled to \$1.9bn or 5.6 per cent of total loans compared to an industry average of around 2 per cent. Of the non-performing loans \$595m related to Penn Square.

Despite signs of a slight improvement in the third and fourth quarters last year the bank ended the year reporting a 67 per cent decline in operating earnings to \$84.4m and a slim 0.18 return on assets and 4.9 per cent return on equity.

In the aftermath Continental, led by Mr Roger Anderson, its chairman, and Mr John Perkins, president, has started picking

up the pieces. A new credit risk evaluation department has been set up and internal lending controls have been tightened.

Mr Anderson believes that barring unforeseen developments on the international front, where Continental is considerably less exposed than most major U.S. banks, it should be possible to reduce problem loans by about \$500m this year.

Neither he nor Mr Perkins minimise the problems that Continental faces. The bank was forced last year to drop out of the "run" of major money centre banks whose certificates of deposit are interchangeable and is still paying a 3 per cent premium for its funds—although the gap is narrowing.

Offsetting this, Continental has been particularly aggressive—and, it claims, successful—in attracting customer deposits to its new money market accounts. While these accounts are a more expensive source of funds than ordinary savings or current accounts, for Continental they represent an important new channel.

Mr Perkins, like Mr Anderson, believes earnings should improve this year. The bank has set a target for operating earnings of \$150m. This, however, is still far short of the \$260.3m which the bank earned in 1981.

Two months ago Mr Anderson outlined a six-point recovery plan in what amounted to a morale-boosting "pep talk" for bank staff. He told his audience that 1983 was a year "to move Continental forward. This is the year for all of us to combine our efforts and get behind the bank with money, marbles and chalk."

The six fundamental points he outlined were to lift earnings; improve credit quality; build and diversify the bank's source of funds; control leverage and maintain Continental's strong capital position; limit non-interest expense and, finally, improve personnel management.

For both Continental and First Chicago much will depend on the pace and strength of the economic recovery and on the interest rate outlook for their commercial and industrial clients.

Foreign banks, in a series of bold moves, have helped transform Chicago in the last decade into a major international banking and finance centre.

Just a few weeks ago Fuji Bank, Japan's second largest bank, made the latest and certainly one of the most daring moves into the Chicago market by outbidding and outmanoeuvring Security Pacific, the 10th largest bank in the U.S., with a \$425m bid for the two commercial finance subsidiaries of Walter E. Heller International, the Chicago-based financial group.

Fuji, in common with 57 other foreign banks, already had a presence in Chicago, attracted there by the geographical location, the potential for wholesale banking business and the existing futures exchanges.

Most of the foreign banks have until now, like Fuji, concentrated on going after big businesses—the Fortune 500 companies, a fair sprinkling of which have their headquarters in Chicago itself.

These banks, free from some of the lending limits placed on U.S. banks (10 per cent to one borrower), and with the financial muscle to obtain funds at relatively cheap rates in the U.S. domestic or in international markets, pose real competition to the major domestic Chicago banks.

They are now turning their attentions to the so-called "middle market," generally defined as companies with revenues from about \$50m a year to around \$200m a year.

Herr Hermann Buerger, vice-president of Commerzbank, which was the first West German bank to arrive in Chicago (in 1974), summed up the basic rationale behind the influx of foreign banks into Chicago. "This market has a wide and deep industrial base presenting many opportunities," he said.

Like other major foreign

banks Commerzbank concentrated initially on the large multinationals but has subsequently turned its attention to some of the smaller industrial companies. "Now we try to identify prospects regardless of size," said Herr Buerger.

Mr Laurie Warner, senior vice-president of National Westminster's branch agency, National Westminster, which opened its Chicago marketing office 10 years ago this June, is involved in a broad spectrum of banking business including basic commercial lending, foreign exchange trading and trade finance.

Best suited

"Historically we looked at multinational and Fortune companies," he said. These companies were best suited to the bank's cautious and conservative credit risk policy.

However, National Westminster has also broadened its Chicago operations at what Mr Warner describes as a "controlled pace." Having started with two people in the office the bank now has a staff of 45.

Like other major foreign banks in Chicago, National Westminster has used the location as a stepping off point for business in the Midwest. But unlike some of the other overseas banks National Westminster has "through a bit of luck and conservative lending policy" managed to avoid some of the more well publicised problems of industrial credits.

Not all the foreign banks have been so fortunate. Most of the European banks have some non-performing loans out to Harvester and some of the other troubled Mid-West companies.

These include Barclays, which has a major Chicago operation through Barclays Bank International (BBI). While the main thrust of

foreign banking activities in Chicago has been in wholesale banking some foreign banks, like BBI, have dived with other activities.

BBI opened a High Street banking operation in 1973 on the ground floor of its offices as part of a broad banking strategy but subsequently decided to abandon retail banking and concentrate on wholesale activities.

While most foreign banks have their main U.S. offices in New York, Credit Agricole, the French bank—a relative newcomer to the market, having arrived in 1979—set up its U.S. headquarters in Chicago.

The French bank now runs a Chicago branch, an International Banking Facility and its Cayman Islands activities out of Chicago and has built up a \$750m loan portfolio. About 35 per cent of the portfolio is agricultural-related, with the balance in wholesale industrial and commercial loans.

Mr Patrick Brennan, Credit Agricole's Chicago branch manager, has also steered the bank into other activities and in particular into tapping the opportunities offered by the Chicago financial futures markets.

The futures market provides the bank with a valuable hedging potential, says Mr Brennan. "We are trading for our own account," he says. However, he sees other opportunities in Chicago like the possibility of trading in the commodity futures market—although Mr Brennan rules out such a move at present simply because there is no money to be made there.

Like Credit Agricole, Kleinwort Benson, the only UK merchant bank with Chicago offices, has also found a particular niche in the Chicago markets.

Borrowing at Libor rates in the Euromarkets and then lending at prime in the U.S.

FOREIGN BANKING OFFICES

(Ranked by asset totals September 30 1982)

| | Total assets (\$m) | Country of origin |
|------------------------------|--------------------|-------------------|
| Mitsubishi Bank | IBF† | 1,233 Japan |
| Fuji Bank | IBF | 1,051 Japan |
| Sanwa Bank | IBF | 686 Japan |
| Banco di Roma | IBF | 565 Italy |
| Banca Commerciale Italiana | IBF | 563 Italy |
| Credit Agricole (CNCA) | IBF | 531 France |
| Sumitomo Bank | IBF | 533 Japan |
| Commerzbank | IBF | 527 West Germany |
| Banque Nationale de Paris | IBF | 521 France |
| Barclays Bank International | IBF | 513 UK |
| Banca Nazionale del Lavoro | IBF | 512 Italy |
| Dai-ichi Kangyo Bank | IBF | 510 Japan |
| Union Bank of Switzerland | IBF | 508 Switzerland |
| Swiss Bank Corporation | IBF | 444 Switzerland |
| National Westminster Bank | IBF | 432 UK |
| Credit Lyonnais | IBF | 425 France |
| Dresdner Bank | IBF | 402 West Germany |
| Lloyds Bank International | IBF | 390 UK |
| Union Bank of Bavaria | IBF | 385 West Germany |
| Banco de la Nacion Argentina | IBF | 383 Argentina |
| Tokai Bank | IBF | 331 Japan |
| Banque Indosuez | IBF | 320 France |
| Algemeene Bank Nederland | IBF | 319 Netherlands |
| Societe Generale | IBF | 318 France |
| Standard Chartered Bank | IBF | 97 UK |

Source: State of Illinois, Commissioner of Banks and Trust Companies.
† International banking facilities.

has its obvious attraction when, as Mr Neil Redpath of Kleinwort points out, Libor has often been two percentage points below prime for "50 weeks out of the year."

Kleinwort has begun expanding the range of services it can offer its U.S. clients. For example, the bank has provided secured financing, sometimes taking an equity stake, and has helped fund leveraged buy-outs in addition to the more traditional business of providing export credits.

The bank has also been actively trying to boost its fee

income through, for example, arranging London listings and Eurodollar issues.

Overall, foreign banks have found the Chicago market to be profitable and therefore the number represented there is likely to keep growing. But most foreign bankers agree that there is a danger of saturation and expect the pace of new entrants into the market to slow.

The foreign banks which have already arrived are likely to continue to broaden their perspectives and their target clients. Chicago has proved it has room for this growth.

MARKET MAKERS

The First National Bank of Chicago, one of America's leading banks, has built up a wealth of experience in the international financial markets. The Governments, Corporations and Financial Institutions that we serve around the world have come to value our expertise in the Euromarkets and our capabilities as Market Makers.

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First Chicago's market making capabilities are just one of our extensive range of international banking services. They have helped us expand and diversify from our substantial roots in Chicago and the American Midwest.

Today, First Chicago's total assets exceed \$35 billion, a measure of our underlying strength and our capacity to offer a very wide choice of financial services around the world.

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Head Office
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8-13 King William Street, LONDON EC4P 4HS. Tel: 01-626 5678. Tlx: 883412.

*Source: American Banker July 1982.

CHICAGO IV

Much interest centres on the fortunes of the futures and options exchanges. Richard Lambert reports

Competition breaching boundaries

CHICAGO'S FUTURES and options exchanges are entering a new and more competitive era. Business continues to boom and the three main exchanges are flourishing their prosperity. The Board of Trade completed its big new trading floor last year, the Mercantile Exchange moved into its new building next Thanksgiving and the Chicago Board Options Exchange is due to open its 45,000 sq ft trading floor in the spring of 1984.

But there are some worried frowns behind these glamorous new facades. In the past the three exchanges have largely kept to their own grounds and have seldom competed head-on with similar products. But the traditional dividing lines in the U.S. financial sector have been blurring rapidly in the last year or so and the impact is being felt in Chicago.

The most obvious example is the way that futures traders are moving into the equity business—the stronghold of the options exchange—by offering futures contracts linked to equity indices. The Chicago Mercantile Exchange has had a spectacular success with its futures

contract linked to the Standard and Poor's 500 Index, which was introduced last spring, and has followed that up with an option contract on the S and P 500 future.

There are those in Chicago who believe that the equity business offers as much scope for growth in the 1980s as the financial futures contracts generated in the 1970s. Equity investors who previously ignored the futures exchanges are now actively exploring a whole new range of possibilities, with major implications for the structure of the market place.

Salesmen

Thus the Chicago Board Options Exchange recently completed a study of major member firms which showed that so far only a small proportion of their salesmen had become qualified to do business on the futures exchanges. But a very big

increase was in view over the next 12 months—a trend which the Options Exchange, which largely exists on its equity business, must have found distinctly worrying.

There has also been a shift in power between the two big futures markets. Although the Mercantile Exchange has been steaming ahead with obvious confidence, the Chicago Board of Trade has been through a traumatic 12 months, with the pressures reflected in high level internal wrangling at the exchange. It is still the market leader, but it had a real shock in 1982 when overall volume fell by 1.6 per cent as a result of a 0.4 per cent decline in agricultural business. And morale has been further damaged by its failure to introduce an equity contract to rival the Merc's.

The Board of Trade now has a new chairman and a long list of new products in the pipe-

line. The Options Exchange is also moving into new areas; earlier this month it launched a cash settled index option, which is tied to its own CBOE 100 Index of top blue chip equities. The Merc is also planning a string of new products, and the three exchanges will increasingly be offering directly competitive products in the next year or two.

None of them can afford to sit back and let the others steal a march. Traders in Chicago gravitate to where the action is—there is extensive cross-membership between the exchanges—and the success of a particular contract is in direct proportion to the volume of business which it generates. Liquidity begets liquidity, they say in Chicago, and there is no more depressing sight than a trading pit which is not doing much business. If one of the big exchanges were to lose its momentum, it could all too

quickly wither away.

There are already signs that increasing competition could lead to institutional changes in Chicago. For example, the Options Exchange, which is regulated by the Securities and Exchange Commission, has been considering the possibility of moving into the futures business by taking over the struggling New Orleans Commodities Exchange. This would enable it to register with the Commodity Futures Trading Commission and to offer a vehicle for trading commodity-type contracts.

Enthusiastic

At the same time the Options Exchange has been telling the Board of Trade about the possibility of co-operating in the stock index game. Specifically, it would clearly like the Board to adjust the trading practices in the S and P futures to make them more familiar to investors whose experience has been limited to the traditional equity markets as opposed to the commodities exchange.

Capitalism comes red in tooth and claw in the trading pits of Chicago's big exchanges. In the next few years the trading institutions themselves may well be locked in a struggle for the survival of the fittest.

CHICAGO BOARD OF TRADE

Recovering its poise

THE Chicago Board of Trade is recovering its poise after a year during which its share of the U.S. futures business plunged from 50 to 43 per cent. For a start, a recovery in the depressed grains sectors has helped to push overall volume up by 22 per cent in January and 30 per cent in February.

In addition, the Board has a new chairman, Thomas Cunningham, whose regime seems unlikely to be as controversial as that of Leslie Rosenthal, its hard-driving predecessor. The price of seats on the exchange has rallied, although it is not back to its previous peak. Moreover, the Board of Trade can still lay claim to the most heavily traded contract in the world: U.S. Treasury Bond futures.

"The Treasury Bond is our star—and is also our most vulnerable point," says Mr. Cunningham. "We've got 500 people standing out there in the pit and what we are trying to do is find new products for when interest rates flatten out."

The Board has other reasons for wanting new products to trade. For one thing, it was badly shaken last year by the success of the Merc's S and P 500 contract. Mr. Cunningham claims that many of his members who deserted the ship to trade the new index future have since come back with their fingers burnt. But the Board of Trade clearly needs to get established quickly in this business, before the Merc has established an overwhelming lead.

Membership

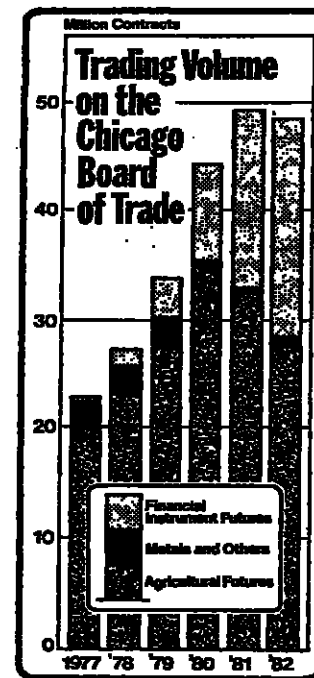
Moreover, the Board of Trade substantially increased its potential membership last year, a move that was bitterly opposed by many market participants. It now has some 2,300 dues-paying members and the total could rise to around 4,000 under various participation rights. The idea was that Mr. Cunningham lay on what Mr. Cunningham calls a "smorgasbord of financial instruments" to keep all these traders busy.

So far, however, the Board of Trade's attempts to jump on to the British pound index bandwagon have been frustrated by a court battle with Dow Jones and Co., which is strongly opposed to its indices being used as the basis for a futures contract. Mr. Cunningham still hopes to be allowed to offer a Dow-based product but as a fall-back plan the Board of Trade is also working on its own index based on 50 blue chip companies and has been talking to the Chicago Board Options Exchange about the possibility of developing a contract based on the new CBOE 100 Index.

It is also trying to find a contract geared to meet the needs of traders in the short-term credit markets. Having topped with commercial paper, certificates of deposit and two-year notes, it is now seeking approval for a new repo contract.

Also on the drawing board, says Mr. Cunningham, are options on agricultural products—"they'll give the farmer control over his end-product like he's never had before"—and a new kilo gold contract.

But it seems that main hopes are being pinned on a new type of business altogether. The Board of Trade has recently started trading an unleaded gas contract and claims that it is rapidly gaining popularity among distributors in the petrol industry. Approval is being sought for a crude oil contract and that—according to Mr. Cunningham—has unlimited potential. "It could be as powerful as the financial instruments," he says hopefully and cites the attractions to an airline or a transport authority of being able to lock in its fuel



Helped by recovery in the grain sector overall volume so far this year is up by 20 per cent.

costs for a year ahead.

For all this activity, the new chairman's main priority is "to get this A.G. market going again." With that in mind exchange officials have been examining the maximum position limits on corn, wheat, beans and oats. This is only tinkering with the problem. The key question is whether the recent upturn in trading activity—which seems to have stemmed from speculation about the impact of the Reagan Administration's Payment-in-Kind programme and volatility in commodity prices generally—is a result of weakening oil prices—will be extended into a full-blooded recovery in the key grain markets.

CHICAGO BOARD OPTIONS

Fresh trading highs

FOR THE Chicago Board Options Exchange (CBOE) 1982 was the tenth consecutive year of record trading volume and it ended on a very strong note. December brought new highs in both option dollar volume—\$6.1bn compared with the previous month's high of \$5.2bn—and open interest, with a record of 5.6m contracts.

This surge in activity has been based on the bull market in equities which started off in such a spectacular fashion last August. Since then it has become clear that Wall Street and the CBOE are growing increasingly interdependent.

The big New York security firms have been doing unprecedented levels of business and have been making an ever larger proportion of their profits out of trading in derivatives. This means that they have been taking much higher risks than would ever have been dreamt of in the past—to an extent that would have been wildly imprudent but for the existence of a liquid options market where those risks can be hedged.

Market leader

The CBOE has consolidated its position as the market leader over the period. In 1982 just over 55 per cent of all options traded in the U.S. crossed its floor, up from 1981's market share of 52.6 per cent. The level of institutional business, though still small, is also growing, as evidenced by a rising proportion of large block trades.

Yet despite continued success the CBOE is going through a rather tense period. It knows that it must live or die on the strength of its options business—and the futures markets, which have a much broader spread of products to offer, are increasingly moving into its path.

The first big attempt to hit back was a plan to introduce a market in debt options. This had been the CBOE's first

priority since the lifting of the regulatory moratorium on options in 1980. Only a few days before the planned opening of trading in the new instruments, however, the exchange was hit by a market crash. By the time it was eventually able to start trading in Treasury Bonds last October the big swings in interest rates were largely in the past and its members were able to find a lot more action in the established equity business.

The Exchange has further plans for debt options and a contract based on Government National Association (GNMA) pass-through certificates (GNMAs) will probably be introduced later this year. But for the moment its main hopes are pinned on the new index option contracts, which got off to a brisk start earlier this month. The CBOE claims that these are the first such options to be offered as a security rather than a commodity, with no intervening futures position upon exercise.

The option has the disadvantage of being tied to an index—the CBOE 100—which no-one has ever heard of. But the Exchange has done a great deal of work to show that it is indeed an effective measure of broad market movement. The hope is that it will be successful enough to persuade equity salesmen to stick with the markets they know rather than going over to register with the futures exchanges in order to be able to do business in their equity contracts.

In the next few months the CBOE hopes to introduce options based on equity industry groups such as oils, computers, transport, pharmaceuticals and consumer goods. The index option is critically important to us," says James Kelley, executive vice-president of the CBOE. "We have to assert ourselves as the options exchange."

CHICAGO MERCANTILE EXCHANGE

(Volume of futures trading)

| | 1982 | 1981 |
|----------------------|------------|------------|
| Fresh eggs | 18 | 12 |
| Potatoes | 9 | 972 |
| Live hogs | 3,564,974 | 2,235,063 |
| Pork bellies | 2,811,574 | 1,977,097 |
| Live cattle | 4,460,982 | 4,282,283 |
| Broilers | 2,118 | 20,048 |
| Lumber | 516,619 | 636,090 |
| Plywood | 693,769 | 620,885 |
| Feeder cattle | 1,271,791 | 1,491,102 |
| British pound | 1,078,467 | 475,585 |
| Canadian dollar | 1,782,901 | 1,854,891 |
| Deutschemark | 1,782,246 | 960,598 |
| Japanese yen | 65,636 | 18,905 |
| Mexican peso | 2,653,332 | 1,518,767 |
| Swiss franc | 1 | 6 |
| Dutch guilder | 16,474 | 2,080 |
| U.S. silver coins | 1,533,466 | 2,518,435 |
| French franc | 6,598,948 | 5,621,290 |
| Gold (100 oz) | 1,556,227 | 423,718 |
| T-Bills (90-day) | 323,613 | 15,171 |
| Domestic CD (90-day) | 2,955,532 | |
| Export (9-month) | 33,574,286 | 24,527,020 |
| S & P 500 index | | |
| Total | | |

CHICAGO MERCANTILE

Run of winners

WHILE the Board of Trade was faltering last year the Chicago Mercantile Exchange fairly leapt ahead, winning a 27 per cent rise in its share of the per cent rise in the volume of contracts traded. That took its share of total futures industry volume up from 25 to 30 per cent. In January and February this year, its business was further boosted by an astonishing 50 per cent.

This growth is partly thanks to good luck. The Merc's agricultural business is geared to meat, where the level of activity has been much stronger than in the grains which are the Board of Trade's speciality. Business on this side climbed by nearly a quarter at the Merc last year.

Good management has played an important part too. The Merc committed itself much more aggressively to the financial futures concept and has been expanding this business at a hectic pace in the turbulent times of the past decade. The Exchange has built up a very large volume of currency related business and has also done very well in three month Treasury bills.

The latest smash hit is in the equity area, with the S and P 500 Contract. Although it was not the first into the field with this type of product the Merc has grabbed about three-fifths of the market in this sector of trading, and newcomers like the Board of Trade will find it very difficult to dislodge the Merc from its established position of strength. Under its deal with Standard and Poors the Exchange has the right to introduce just over a dozen other S and P index-related contracts, which will

take it down into individual sectors of the equity market.

While the Board of Trade has had only one major new success in recent years—the Treasury Bond—the Merc has had several. One explanation lies in its keen approach to marketing, which extends to its own members as well as to the public. Leadspeakers come on at regular intervals in the day-to-day messages urging traders to give a little time and money to a new contract. "We really badger them," says Brian Monks, chairman of the Exchange, whose commitment to marketing at this particular moment is reflected in a large badge proclaiming that "Hogs are beautiful."

Not all the Merc's innovations have come off but it has never been shy of trying new things. In some parts of Chicago you will hear the argument that too many new products could undermine the futures business by confusing the public and fragmenting the market. But the Merc says that is rubbish.

The Merc's present mood of optimism appears to be unbounded. Leo Melamed, who has the best but by no means the only claim in Chicago to be the father of the financial futures industry, says that the Merc's International Monetary Market has become an integral part of the interbank system. As such, he believes that every commercial bank will sooner or later be participating in the market in one way or another—which in turn will bring corporate treasurers into the action.

Claims Mr. Monks, "It looks like there is no way to inhibit growth here over the next five to six years."

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CHICAGO V

RICHARD LAMBERT ON THE FORTHCOMING MAYORAL ELECTIONS

Crisis of management

WHEN PRESIDENT Reagan attended a fancy Republican dinner in Chicago at the beginning of this year Bernard Epton's name was not exactly on everyone's lips. To the contrary, the Republican candidate for city mayor was made to pay for his own ticket. He was slumped firmly at the back of the hall.

That's the way things are done in a city where local Republican politicians have been at least a bad joke for as long as anyone can remember.

But all that changed dramatically on February 23 when Mr Harold Washington acknowledged to a cheering crowd of supporters that he had been elected against the odds as the Democratic Party's nominee for Mayor.

Despite spending millions of dollars on his campaign, Mayor Jane Byrne, the Democratic machine candidate, had been rejected by city voters and Mr Washington, who is black and owes no favours to anyone in the Chicago establishment, appeared set on his way to

City Hall. Suddenly, Mr Epton became a media figure, gifted with a dry sense of humour but far from being an inspiring politician.

Mr Washington still seems highly likely to emerge as the victor when the final votes are counted after the mayoral election on April 12. But the events of the past few weeks reveal a great deal about the character of Chicago and are likely to have a lasting effect on the way the city is managed in the future.

Tough lady

Mrs Byrne, an extremely tough lady but an erratic politician, herself defeated the sitting Mayor, and exposed both the inefficiency and the insensitivity of the traditional Democratic establishment. Yet Mrs Byrne chose to work with the machine rather than against it, making sure that her own candidates had their hands on the levers of power.

The image Mr Washington is now presenting is that of a Liberal Democrat of the old school,

But despite this the business community, which normally plays a key part in the city's politics, has kept itself very much at a distance from his camp. If he gets to City Hall a major question will be whether he can broaden his political base in the way that will be necessary if the city is to be run at all efficiently.

Mr Epton, to his credit, has gone out of his way to stress that he does not want to win votes because of his colour but the issue was muddled even more by Mrs Byrne's decision—subsequently reversed—to seek re-election as a write-in candidate, having originally promised to support Mr Washington.

The result of all these manoeuvres, the Chicago Tribune has said, is to make an ugly political situation even uglier. "The bitterness that has already marked this campaign can only intensify. What Chicago needs right now is a measure of stability and restraint."

The hope is that this will be forthcoming once the next fortnight is out of the way.

Office surplus slows building projects



Mr Donald Bodel, president of Richard Ellis Inc.

SOMEHOW it seems inevitable that the city which boasts the nickname "Construction City" should also have three of the tallest man-made structures in its midst. Rearing its head above them all is the Sears Tower, at 1,454 ft still the tallest building in the world.

Over the last 10 years 54.5m sq ft of new office space has been added to the metropolitan market alone, according to Continental Bank figures.

But reputation alone has been insufficient to keep the building machine alive. Indeed the success of the sector in the past has itself generated a problem during the recession as demand has slowed. Chicago today is "overbuilt" and under-occupied.

The downtown area, which includes the central business district called the "Loop" bounded on all four sides by an elevated railway, has experienced two building booms in the last 20 years.

The first, between 1968 and 1973, consisted largely of developments by corporations for their own use. They included First National Bank, IBM, Standard Oil and Sears Roebuck.

The second boom began in 1978 and in contrast has been largely speculative. During 1980 and 1981 15 new office buildings totalling 7.5m sq ft were completed and 80 per cent let.

According to Chicago's Economic Development Commission, published a report which pointed out that the area has a number of natural advantages, quite apart from its geographical location and the breadth of its financial institutions.

These include rich resources in the big universities—the University of Chicago, Northwestern University, Illinois Institute of Technology and the University of Illinois at Chicago. There are also several major research laboratories in the region. Illinois ranks seventh among the states in the total number of industrial research laboratories, which include Bell Laboratories, Amoco's oil research and development laboratory and Motorola.

Labour skills
The region already has a large pool of appropriate labour skills. The city's Economic Development Commission claims that it ranks second only to Los Angeles in terms of its employment base in high technology activities.

Mayor Byrne's taskforce went on to admit, however, that "when considering the location of business in Chicago it must be recognised that some areas of the city are perceived as unattractive with respect to quality of life, amenities and services. One particular concern is the quality of pre-college education offered in certain areas of the city. Good schools do exist and the quality of Chicago's schools appears comparable to those of other major urban areas. However, the perception, along with the quality, of public education, needs to be improved."

As well as underlining the requirement for more investment in the educational system this comment illustrates another of the city's problems—its poor public image. Contrary to expectations a visit to Chicago will be exhilarated by the range of its architecture, the quality of its art galleries and symphony orchestra, the bustling atmosphere of a centre which in some measure is run by business for business. It is a long way from the general perception of a bleak and windy fortress in the crumbling heartland of smoggy America.

This is another reason why the character of the administration at City Hall is so important to the future development of the city. Chicago has a tremendous amount to offer as a business location. If it is seen to be fiscally sound as well as fairly and efficiently administered there is no reason why it should not be capable of attracting major new investment.

Richard Lambert

Campaign to rejuvenate industrial sector

DESPITE the rapid growth of the service and financial sectors, the heart of Chicago's economy still lies in manufacturing. Of the roughly 1.5m jobs in the city itself about 21 per cent are in manufacturing; for the metropolitan region as a whole the proportion is over 28 per cent.

This compares with just under 24 per cent in the wholesale and retail trades—and well under 10 per cent in finance, insurance and real estate.

The list of Chicago's top companies is a roll call of the great names in U.S. industrial history. In terms of economic concentration the area is a major U.S. centre for electrical and electronic equipment, fabricated metal products, transportation and printing and publishing.

Total value added by manufacturing industry in the area came to nearly \$47bn in 1982. Within this figure the biggest contributions came from non-electrical machinery, electrical machinery, food products, fabricated metal products, printing and publishing and chemicals—each of which made up very roughly a tenth of the total value added.

These are, of course, some of the industries which have been hardest hit by the recession. The Chicago Association of Commerce and Industry estimates that the physical volume of goods sold in the area probably declined by 10 per cent last year, the worst performance recorded since World War II. Corporate profits in the area dropped by nearly a fifth to \$7.5bn, compared with \$9.6bn back in 1979.

A measure of recovery is now under way in several of these sectors but Chicagoans recognise that over the long term the existing manufacturing base is unlikely to provide enough new jobs for the area, even after allowing for a continued drift into the service sectors. So the city, like many others in the U.S., is casting around for new ways of encouraging small businesses in the area to grow larger and to persuade new companies to move in from outside.

In terms of financial assistance Chicago has stepped up its industrial revenue bond programme, which provides low cost loans for capital investment. These loans have recently been running at around \$60m a year, compared to \$4m in 1970. The city also offers a revolving

loan fund to help small companies, as well as what are called federal urban development action grants, by which it lends money to private developers at attractive rates.

In addition, Chicago is seeking to promote itself as a centre for high technology development. Last October a task force set up by Mayor Jane Byrne's administration published a report which pointed out that the area has a number of natural advantages, quite apart from its geographical location and the breadth of its financial institutions.

These include rich resources in the big universities—the University of Chicago, Northwestern University, Illinois Institute of Technology and the University of Illinois at Chicago. There are also several major research laboratories in the region. Illinois ranks seventh among the states in the total number of industrial research laboratories, which include Bell Laboratories, Amoco's oil research and development laboratory and Motorola.

Labour skills
The region already has a large pool of appropriate labour skills. The city's Economic Development Commission claims that it ranks second only to Los Angeles in terms of its employment base in high technology activities.

Mayor Byrne's taskforce went on to admit, however, that "when considering the location of business in Chicago it must be recognised that some areas of the city are perceived as unattractive with respect to quality of life, amenities and services. One particular concern is the quality of pre-college education offered in certain areas of the city. Good schools do exist and the quality of Chicago's schools appears comparable to those of other major urban areas. However, the perception, along with the quality, of public education, needs to be improved."

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CHICAGO'S TOP 25 COMPANIES

- 1 Sears, Roebuck and Co Chicago
- 2 Standard Oil Co (Ind) Chicago
- 3 Dart and Kraft Northbrook
- 4 Beatrice Foods Company Chicago
- 5 Household International Prospect Heights
- 6 Caterpillar Tractor Co Peoria
- 7 Consolidated Foods Corp Chicago
- 8 Jewel Companies Chicago
- 9 UAL Chicago
- 10 Deere and Co Moline
- 11 International Harvester Co Chicago
- 12 Commonwealth Edison Co Chicago
- 13 IC Industries Chicago
- 14 Motorola Schaumburg
- 15 Archer Daniels Midland Co Decatur
- 16 FMC Corporation Chicago
- 17 Emark Chicago
- 18 Midcon Corporation Chicago
- 19 Borg-Warner Corporation Chicago
- 20 Santa Fe Industries Chicago
- 21 CNA Financial Corporation Chicago
- 22 American Hospital Supply Corporation Evanston
- 23 Inland Steel Company Chicago
- 24 McDonald's Corporation Oak Brook
- 25 Quaker Oats Company Chicago

Source: Crains Chicago Business

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The B.F. Goodrich Company

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with Warrants to purchase
US\$100,000,000
15% Bonds due May 15, 1987

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air wisconsin, inc.
\$55,434,858
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Continental Illinois Limited
\$45,434,858
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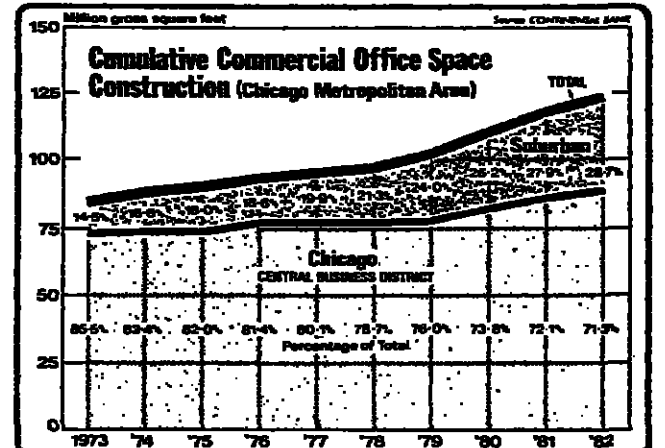
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The First National Bank of Boston The First Wisconsin National Bank of Milwaukee

\$10,000,000
Revolving Credit Facility

The First National Bank of Boston The First Wisconsin National Bank of Milwaukee
Fort Wayne National Bank First National Bank of Appleton
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Continental Illinois National Bank and Trust Company of Chicago Continental Illinois Limited



completion this year and along North Michigan Avenue.

In the downtown area current rental levels range from between \$15 and \$18 a sq ft in older properties to \$30 to \$35 in buildings completed in the last 10 years and to \$25 to \$30 in new projects and "image buildings," according to Richard Ellis. "Most rentals are in the lower \$20 to \$25 range," says Mr Brown.

Investment

Over the past year there has been little growth in rentals. Indeed Mr Bodel suggests that concessions have "factored in" a 10 to 15 per cent reduction. Nevertheless over the past six years rentals have outpaced inflation and Chicago continues to attract property investment, including several by major UK pension funds.

But the picture outside the downtown area is considerably bleaker. Occupancy rates in once booming suburban office markets like Oakbrook, Woodfield/Channahon, O'Hare and Edens Corridor have dropped to around 83 per cent. In these markets rentals average \$13 to \$17 a sq ft, with prime space renting for up to \$18 a sq ft.

The industrial market is also "very soft," in Mr Brown's words. "There is a very sub-

stantial over supply." The vacancy rate in the 570m sq ft of industrial space in the Chicago metropolitan area averages up to 10 per cent.

Over the past 12 months the amount of vacant space has increased by about 10m sq ft to 52m in the five county metropolitan areas compared with an average in the area of around 30m feet. Current rentals are a depressed \$2 to \$3.50 a sq ft and six-month rent free periods are the rule rather than the exception.

Similarly there is at least a one-year supply of warehousing space and with inventory levels at rock bottom there is little immediate prospect of an upturn in the market. "Companies have a lot of spare capacity which has to be used up before they need new space," says Mr Brown.

The retail market is little better. The proliferation of suburban shopping malls in recent years has experienced mixed results.

While some retail developments have achieved occupancy rates of about 93 per cent, at least one new project, the 2m sq ft River Mall development, has been abandoned following the failure of an earlier project by developers American Income Properties.

Paul Taylor

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The Detroit Edison Company

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Interest Rate Swap Agreement

Continental Illinois Limited

and

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\$25,000,000

Interest Rate Swap Agreement

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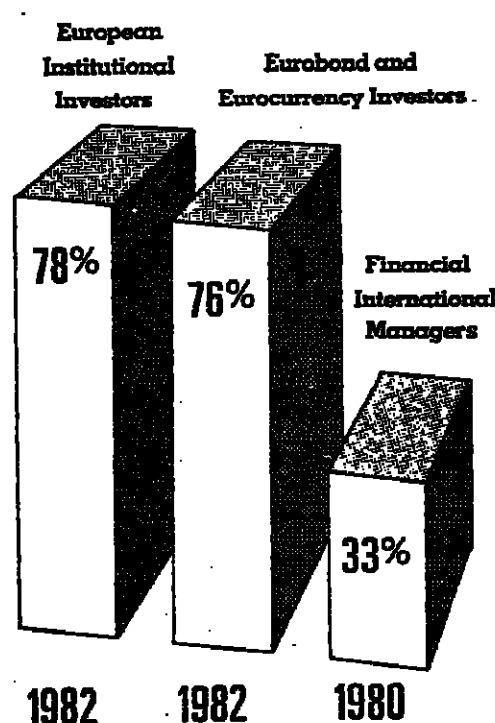
Who reads the International edition

The Frankfurt edition of the FT is published Monday to Friday and has a circulation of 40,500. Since Frankfurt printing started in January 1979, circulation in the areas covered from Frankfurt has increased 113%.

The Continental European readership of the Frankfurt FT includes 79,000 'men of high status' (as defined by the 1981 Pan European Survey) in the ten Continental countries covered by that survey - Germany, France, Italy, Spain, Netherlands, Belgium, Sweden, Denmark, Switzerland and Norway.

Coverage of directors and heads of department in large and medium-sized companies on the continent of Europe is 6.7%, which is higher than that of any other English-language daily paper (EBRS 1982). Coverage of specialist groups is considerably higher: 78% of international portfolio managers in continental investment institutions, 76% of executives in the continental Eurobond and Eurocurrency markets, and 33% of corporate treasurers and international financial managers in major continental industrial and commercial companies read an average issue of the Frankfurt FT.

The Frankfurt FT also has a circulation of 9,300 outside Continental Europe.



FT circulation has risen by 94% in Europe over the past three years.

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|--------------|------|
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| FRANCE | 56% |
| SWITZERLAND | 127% |
| BELGIUM | 65% |
| NETHERLANDS | 94% |
| ITALY | 53% |
| SPAIN | 40% |
| SWEDEN | 46% |
| DENMARK | 19% |
| GREECE | 62% |
| AUSTRIA | 107% |
| NORWAY | 56% |
| PORTUGAL | 96% |
| LUXEMBOURG | 127% |
| FINLAND | 71% |
| TURKEY | 16% |

Average Circulation Increases %
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How Section III adds momentum—and may be read first!

Wall Street, European bourses, Far Eastern markets, commodities, what money is worth... for the first time coverage of the world's financial markets are drawn together into a single self-contained section.

New features include:

- A front page providing both an at-a-glance statistical record and authoritative editorial analysis of the previous 24 hours in the world's markets.
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A detailed table on the front highlights the major international price and currency movements of the day. Alongside, specialist writers describe and analyse the day's trading on the world's leading stock markets, from Tokyo to New York, London and the European bourses.

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New opportunities for advertisers

With the development of the new Section III - International Markets, new advertisement spaces have been created, thus offering an even greater opportunity to advertisers wishing to concentrate their message on Continental Europe.

Page One - Market Reports

The front page of the section has three new advertisement spaces available, all of which have great impact value, due to prime positioning.

For the first time there is a quarter page, going across the page (140 mm x 390 mm). Alternatively this space can be taken as the conventional quarter page (280 mm x 192 mm). There are also two new ear-pieces available (40 mm x 60 mm).

Page Two - New York Stock Exchange Prices

The inclusion of the New York Exchange Prices page provides the other new advertisement space in Section III. It is a solus position - size (100 mm x 192 mm).